

INDEPENDENT AUDITOR'S REPORT

TO THE PARTNERS OF M/S. RECON PHARMCEUTICALS AND INVESTMENTS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of M/s. Recon Pharmaceuticals and Investments, [hereinafter referred as "the entity"] which comprise the balance sheet as at March 31, 2022, the Profit and Loss Account, and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the entity are prepared, in all material respects, in accordance with the generally accepted accounting standards applicable to Partnership Firm in India.

Basis for Opinion

We conducted our audit of the financial statements in accordance with Standards on Auditing (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management of the entity is responsible for the preparation of the financial statements in accordance with the generally accepted accounting standards applicable to partnership firm in India and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is

not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration No.: 106625W

Sd/-
Karnik K. Shah
Partner
Membership No.: 129675
Place: Ahmedabad
Date: 8th May, 2021
UDIN: 21129675AAAACJ7079

M/s Recon Pharmaceuticals and Investments
Balance Sheet as at Mar 31, 2022

	Note No.	INR	
		As At March	
		2022	2021
ASSETS :			
Non - Current Assets :			
Investments	6	1,85,00,00,000	1,85,00,00,000
		1,85,00,00,000	1,85,00,00,000
Current Assets :			
Trade Receivables	7	1,09,95,557	-
Cash and Cash Equivalents	8	38,34,593	30,23,261
Other current assets	9	-	76,790
		1,48,30,150	31,00,051
Total		1,86,48,30,150	1,85,31,00,051
EQUITY & LIABILITIES			
Partner's Capital Accounts :			
Fixed Capital Accounts	2	10,00,000	10,00,000
Current Capital Accounts	3	1,85,27,60,610	1,85,07,42,959
		1,85,37,60,610	1,85,17,42,959
Current Liabilities :			
Trade Payables			
Dues to Micro and Small Enterprise		-	-
Dues to other than Micro and Small Enterprise	4	99,95,956	-
Provision for expenses		16,000	50,000
Other Current Liabilities	5	10,57,584	13,07,092
		1,10,69,540	13,57,092
Total		1,86,48,30,150	1,85,31,00,051
Significant Accounting Policies	1		
Notes to the Financial Statements	1 to 16		

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For Recon Pharmaceuticals and Investments

German Remedies Pharmaceuticals Pvt. Ltd.
Partner

Karnik K. Shah
Partner
Membership Number: 129675
Ahmedabad, Dated:

Zydus Healthcare Ltd.
Partner

M/s Recon Pharmaceuticals and Investments
Statement of Profit and Loss statement for the period ended March 31, 2022

	Note no.	INR	
		Year ended March	
		2022	2021
REVENUE :			
Revenue from Operation:			
Sales	10	93,18,269	-
Other income	11	24,18,073	45,49,067
Total Revenue		1,17,36,342	45,49,067
EXPENSES :			
Purchases of Stock-in-Trade	12	84,71,150	-
other expenses	13	27,793	30,390
Total Expenses		84,98,943	30,390
Profit before Tax		32,37,399	45,18,677
Less: Tax Expense:			
Current Tax		10,38,700	14,09,827
Prior period tax adjustments		1,83,181	6,839
Profit for the period		12,21,881	14,16,666
Significant Accounting Policies	1	20,15,518	31,02,011
Notes to the Financial Statements	1 to 16		

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For Recon Pharmaceuticals and Investments

German Remedies Pharmaceuticals Pvt. Ltd.
Partner

Karnik K. Shah
Partner
Membership Number: 129675
Ahmedabad, Dated:

Zydus Healthcare Ltd.
Partner

M/s Recon Pharmaceuticals and Investments
Cash Flow Statement for the year ended March 31, 2022

Particulars	INR	
	Year ended on March 31	
	2022	2021
A Cash flows from operating activities:		
Profit before tax	32,37,399	45,18,677
Adjustments for:		
Interest income	(24,18,073)	(45,49,067)
Operating profit/[Loss] before working capital changes	8,19,326	(30,390)
Adjustments for:		
[Increase]/Decrease in trade receivable	(1,09,95,557)	11,91,960
Decrease/[Increase] in other current assets	76,790	(66,681)
Increase/[Decrease] in trade payables	99,95,956	(10,94,500)
[Decrease]/Increase in other current liabilities	(58,378)	1,01,795
Total	(9,81,189)	1,32,574
Cash generated [used in]/from operations	(1,61,863)	1,02,184
Direct taxes paid	(14,44,878)	(2,27,955)
Net cash [used in] operating activities	(16,06,741)	(1,25,771)
B Cash flows from investing activities:		
Interest income	24,18,073	45,49,067
Net cash from from investing activities	24,18,073	45,49,067
C Cash flows from financing activities:		
Partner's withdrawal	-	(24,00,000)
Net cash [used in] financing activities	-	(24,00,000)
Net Increase in cash and cash equivalents	8,11,332	20,23,296
Cash and cash equivalents at the beginning of the year	30,23,261	9,99,965
Cash and cash equivalents at the end of the year	38,34,593	30,23,261

Notes to the Cash Flow Statement

- 1 The above cash flow statement has been prepared under the "Indirect method" as set out in AS-3 "Statement of Cash Flows".
- 2 All figures in brackets are outflows.
- 3 Cash and cash equivalents comprise of:

	As at March,	
	2022	2021
a Cash on Hand	-	-
b Balances with Banks	38,34,593	30,23,261
c Total	38,34,593	30,23,261

As per our report of even date
For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For Recon Pharmaceuticals and Investments

German Remedies Pharmaceuticals Pvt. Ltd.
Partner

Karnik K. Shah
Partner
Membership Number: 129675
Ahmedabad, Dated:

Zydus Healthcare Ltd.
Partner

M/s. Recon Pharmaceuticals and Investments

Firm Overview:

M/s Recon Pharmaceuticals and Investment ["the firm"] operates in the business of investment in Pharmaceutical, Healthcare and allied services business. It also deals in trading activities.

Note : 1 - Significant Accounting Policies :

A Basis of Preparation :

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards issued by the Institute of Chartered Accounts of India.

B Use of Estimates :

The preparation of Financial Statements in conformity with the Accounting Standards generally accepted in India requires. the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses for the reporting period. While actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future reporting periods.

C Property plant & equipment :

- a All items of Fixed Assets are stated at acquisition cost net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of Profit and loss during the year in which they are incurred. Gains and losses arising on retirement or disposal of assets are recognised in the Statement of Profit and Loss.
- b Asset under construction as at the balance sheet date are shown as Capital Work in Progress.
- c If any fixed asset is disposed/ sold its losses or Gain are recognised in Statement of Profit and Loss Account.

D Depreciation :

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the "straight line method method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Depreciation on additions / disposals of the fixed assets during the year is provided on pro-rata basis according to the period during which assets are put to use. Leasehold land are amortized over the period of the lease. Free-hold land are not depreciated/amortized.

E Impairment of Assets :

At each balance sheet date, the firm assesses whether there is any indication that an asset may be impaired. If any such indication exists, the firm estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the profit and loss account to the extent the carrying amount exceeds recoverable amount.

F Inventories :

- a Stock-in-Trade is valued at lower of cost [Net of Input tax credit availed] and net realisable value.
- b Cost [Net of Input tax credit availed] of Stock-in-Trade is determined on Moving Average Method.
- c Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

G Investments :

- a Long Term Investments are stated at cost including directly attributable cost. A provision for diminution in the value of long term investments is made only if such is other than temporary, in the opinion of partners.
- b Current Investments are stated at lower of cost and fair value.

H Revenue Recognition:

- a Revenue from sale of goods is recognised when significant risks & rewards of ownership of the goods is passed on to the buyers.
- b Interest income is recognised on time proportionate method.
- c Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

I Provisions, Contingent Liabilities and Contingent Assets:

Provision is recognised when the firm has a present obligation as a result of past events and it is probable that the outflow of resources will be required to settle the obligation and in respect of which reliable estimates can be made. A disclosure for contingent liability is made when there is a possible obligation, that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision/ disclosure is made. Contingent assets are not recognised in the financial statements. Provisions and contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates.

J Provision for Taxation :

- a Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.
- b Deferred Tax resulting from "timing difference" between book profit and taxable profit is accounted for using the tax rates and laws that have been enacted or substantially enacted as on the Balance Sheet Date. The Deferred Tax Asset is recognized and carried forward only to the extent that there is reasonable certainty that the asset will be realized in future.

K Leases :

Lease arrangements where the risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases. Lease rental under operating leases are recognised in Statement of Profit and loss on straight line basis over the lease term.

L Cash and Cash equivalents :

Cash and Cash equivalents in the balance sheet comprise cash at bank and in hand.

M Government Grant :

Government grant is recognized only when there is reasonable certainty of its collection. Interest subsidy is treated as revenue item being recognized in books on receipts basis.

N Borrowing cost :

Interest and other cost in connection with the borrowing of the fund to the extent related/attributed to the acquisition or construction of fixed assets are capitalized only with respect qualifying fixed assets i.e. Those which take substantial period of time to get ready for its intend use. All other borrowing cost charge to profit & Loss account.

M/s Recon Pharmaceuticals and Investments
Notes to the Financial Statements

	INR	
	Year ended March	
	2022	2021
Note : 2 - Partners' Fixed Capital Accounts :		
Name of Partners		
German Remedies Pharmaceuticals Pvt. Ltd.	1,00,000	1,00,000
Zydus Healthcare Ltd.	9,00,000	9,00,000
	10,00,000	10,00,000
Note : 3 - Partners' Current Capital Accounts :		
Name of Partners		
[A] Zydus Healthcare Limited.:		
Opening balance	1,85,04,30,582	1,85,00,36,853
Add: Addition	-	-
[Less]: Withdrawal	-	(24,00,000)
Profit/[Loss] for the year	18,13,973	27,91,810
Closing balance	1,85,22,44,555	1,85,04,28,663
[B] German Remedies Pharmaceuticals Private Limited.:		
Opening balance	3,14,510	4,095
Add: Addition	-	-
[Less]: Withdrawal	-	-
Profit/[Loss] for the year	2,01,545	3,10,201
Closing balance	5,16,055	3,14,296
Total	1,85,27,60,610	1,85,07,42,959
Note : 4 - Trade Payables :		
Micro, Small and Medium Enterprises		-
Others	99,95,956	-
Total	99,95,956	-
Note : 5 - Other Current Liabilities :		
GST payable to statutory authorities	75,692	-
Other payables	-	1,00,070
Provision for taxation [Net of Advance tax - Rs. 56,808 (Previous year -Rs.202,805)]	9,81,892	12,07,022
Total	10,57,584	13,07,092
Note : 6 - Investments :		
Investment in debentures of M/s. Zydus Foundation 1850, 0.10% NCD of Rs. 10 lakh each	1,85,00,00,000	1,85,00,00,000
	1,85,00,00,000	1,85,00,00,000
Note : 7 - Trade Receivables :		
Other debts - Considered good	1,09,95,557	-
Total	1,09,95,557	-
Note : 8 - Cash and Cash Equivalents :		
Balances with Banks in current accounts	38,34,593	30,23,261
Total	38,34,593	30,23,261
Note : 9 - Other current assets		
Interest receivable	-	-
Balances with statutory authorities	-	76,790
Total	-	76,790

M/s Recon Pharmaceuticals and Investments
Notes to the Financial Statements

	INR	
	Year ended March	
	2022	2021
Note : 10 -Sales :		
Sal Sales of Products	93,18,269	-
Total	93,18,269	-
Note : 11 - Other income		
Interest on debentures	18,50,000	45,49,067
Interest on loan	5,68,073	-
Total	24,18,073	45,49,067
Note : 12 - Purchase of Stock-in-Trade		
Purchase of Stock-in-Trade	84,71,150	-
Total	84,71,150	-
Note : 13 - Other Expenses :		
Bank commission & charges	153	290
Audit fees	25,000	25,000
Professional Tax	2,640	5,100
Others		
Total	27,793	30,390

Note: 14 Related party transactions

Information on Related Parties as required by Accounting Standard-18, "Related Party Disclosures" issued by The Institute of Chartered Accountants of India are given below :

A Name of the Related Parties and Nature of the Related Party Relationship with whom transactions have taken place:

a Partners

German Remedies Pharmaceuticals Private Limited
Zydus Healthcare Limited

b Holding company of the partners

Zydus Lifesciences Ltd. [Formerly known as 'Cadila Healthcare Limited']

c Fellow Subsidiaries :

<p>Zydus Wellness Limited Zydus Wellness Products Limited Liva Nutritions Limited Liva Investment Limited Zydus Animal Health and Investments Limited Dialforhealth Unity Limited Dialforhealth Greencross Limited Violio Healthcare Limited Zydus Pharmaceuticals Limited Biochem Pharmaceutical Private Limited Zydus Strategic Investments Limited Zydus VTEC Limited Zydus Foundation Alidac Healthcare (Myanmar) Limited [Myanmar] Zydus Healthcare Philippines Inc. [Philippines] Zydus Lanka (Private) Limited [Sri Lanka] Zydus International Private Limited [Ireland] Zydus Netherlands B.V. [the Netherlands] Zydus Pharmaceuticals (USA) Inc. [USA] Nesher Pharmaceuticals (USA) LLC [USA] Zydus Healthcare (USA) LLC [USA]</p>	<p>ZyVet Animal Health Inc. [USA] Sentyln Therapeutics Inc. [USA] Zydus Noveltech Inc. [USA] Hercon Pharmaceuticals LLC [USA] Viona Pharmaceuticals Inc. [USA] Zydus Therapeutics Inc. [USA] Zydus Healthcare S.A. (Pty) Ltd [South Africa] Simayla Pharmaceuticals (Pty) Ltd [South Africa] Script Management Services (Pty) Ltd [South Africa] Zydus France, SAS [France] Laboratorios Combix S.L. [Spain] Etna Biotech S.R.L. [Italy] Zydus Nikkho Farmaceutica Ltda. [Brazil] Zydus Pharmaceuticals Mexico SA De CV [Mexico] Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico] Zydus Worldwide DMCC [Dubai] Zydus Discovery DMCC [Dubai] [Merged with ZTI w.e.f. July 1, 2021] Zydus Wellness International DMCC [Dubai] Zydus Wellness BD Pvt Ltd [Bangladesh]</p>
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M/s Recon Pharmaceuticals and Investments
Notes to the Financial Statements

Note: 14 Related party transactions-continued

B Transactions with Related Parties:

The following transactions were carried out with the related parties in the ordinary course of business and at arm's length terms:

a Details relating to parties referred to in Note 14

<u>Nature of Transactions</u>	Year ended Mar 31 2022	Year ended Mar 31 2021
Sales		
ZyduS Lifesciences Ltd.	93,18,269	-
Contribution received towards current capital		
ZyduS Healthcare Limited	7,12,00,000	-
Withdrawal from current capital		
ZyduS Healthcare Limited	7,12,00,000	24,00,000
Interest received on debentures		
ZyduS foundation	18,50,000	45,49,067
Profit sharing		
German Remedies Pharmaceuticals	2,01,545	3,10,201
ZyduS Healthcare Limited	18,13,973	27,91,810
Total	20,15,518	31,02,011
Balances		
Outstanding:		
Receivable:		
ZyduS Lifesciences Ltd.	1,09,95,557	-
Payable		
ZyduS Healthcare Limited	-	1,00,070
Investment in Debentures:		
ZyduS Foundation	1,85,00,00,000	1,85,00,00,000

Note: 15 Covid note

The COVID-19 pandemic started to become widespread in India in early March 2020 and its impact has been continuing until the date of the approval of the financial statements. The measures taken by the government to contain the virus have affected economic conditions and the firm's business operations. In 2021 and 2020, the Firm has taken several measures to mitigate the adverse effects of the COVID-19 pandemic to the Firm's business. As a result of the actions taken by management, the firm's operations improved in 2021. Based on the foregoing improvements, management projects that the firm would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Firm's ability to continue as a going concern due to the effects of the pandemic.

Note 16:

Figures of previous reporting year have been regrouped/ reclassified to conform to current year's classification.

Signatures to Significant Accounting Policies and Notes 1 to 16 to the Financial Statements

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For Recon Pharmaceuticals and Investments

German Remedies Pharmaceuticals Pvt. Ltd.
Partner

Karnik K. Shah
Partner
Membership Number: 129675
Ahmedabad, Dated:

ZyduS Healthcare Ltd.
Partner