

# Zydus Takeda Healthcare Private Limited

## Balance sheet

as at 31 March 2020

(Currency : Indian Rupees in lakhs)

	Notes	31 March 2020	31 March 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	5,428	5,293
Capital work-in-progress	41	280	363
Intangible assets	5	91	43
Financial assets:			
(i) Other financial assets	6	1,921	1,622
Deferred tax assets (net)	7	210	206
Non-current tax assets (net)	8	927	938
Other non-current assets	9	146	223
<b>Total non-current assets</b>		<b>9,003</b>	<b>8,688</b>
<b>Current assets</b>			
Inventories	10	7,509	4,812
Financial assets:			
(i) Trade receivables	11	1,577	3,214
(ii) Cash and cash equivalents	12A	3,700	4,929
(iii) Bank balances other than cash and cash equivalents	12B	2,036	67
(iv) Other current financial assets	13	253	680
Other current assets	14	527	210
<b>Total current assets</b>		<b>15,602</b>	<b>13,912</b>
<b>Total assets</b>		<b>24,605</b>	<b>22,600</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	15	2,000	2,000
Other equity	16	19,457	17,693
<b>Total equity</b>		<b>21,457</b>	<b>19,693</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions	17	1,034	848
<b>Total non-current liabilities</b>		<b>1,034</b>	<b>848</b>
<b>Current liabilities</b>			
Financial liabilities :			
(i) Trade payables:-			
(a) total outstanding dues of micro enterprises and small enterprises; and	18	146	114
(b) total outstanding dues of creditors other than micro enterprises and small enterprises.		898	1,105
(ii) Other current financial liabilities	19	411	359
Other current liabilities	20	78	66
Provisions	17	275	231
Current tax liabilities (net)	21	306	184
<b>Total current liabilities</b>		<b>2,114</b>	<b>2,059</b>
<b>Total liabilities</b>		<b>3,148</b>	<b>2,907</b>
<b>Total equity and liabilities</b>		<b>24,605</b>	<b>22,600</b>

Significant accounting policies

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248 W/W-100022

For and on behalf of the Board of Directors of

Zydus Takeda Healthcare Private Limited

CIN: U24231MH1999PTC119171

Rahul Choudhary  
Partner  
Membership No. 408408

Jodhpur  
28 May 2020

Mr. Ghanshyam Singh  
Company Secretary  
Membership No: 26526

Navi Mumbai  
28 May 2020

  
Mr. Ganesh Nayak  
Director  
DIN: 00017481

Ahmedabad  
28 May 2020

  
Mr. Pankaj Patel  
Director  
DIN: 00131852

Ahmedabad  
28 May 2020

# Zydus Takeda Healthcare Private Limited

## Statement of profit and loss for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

Particulars	Notes	31 March 2020	31 March 2019
<b>Revenue</b>	22	18,190	19,805
Revenue from operations	23	484	210
Other income			
<b>Total income</b>		<u>18,674</u>	<u>20,015</u>
<b>Expenses</b>	24	7,262	6,006
Cost of materials consumed	25	(1,791)	(450)
Changes in inventories of finished goods and work-in-progress	26	3,040	2,819
Employee benefits expense	27	837	798
Depreciation and amortisation expense	28	3,309	3,653
Other expenses			
<b>Total expenses</b>		<u>12,657</u>	<u>12,826</u>
<b>Profit before tax</b>		6,017	7,189
<b>Tax expenses:</b>		1,798	2,214
Current tax		8	(58)
Deferred tax			
		<u>1,806</u>	<u>2,156</u>
<b>Profit for the year</b>		<u>4,211</u>	<u>5,033</u>
<b>Other comprehensive income / (loss)</b>		(48)	(24)
Items that will not be reclassified to profit or loss - remeasurements of the defined benefit plans		12	7
Income tax related to items that will not be reclassified to profit or loss			
<b>Other comprehensive income (loss) for the year, net of income tax</b>		<u>(36)</u>	<u>(17)</u>
<b>Total comprehensive income for the year</b>		<u>4,175</u>	<u>5,016</u>
<b>Earnings per equity share of INR 10 each</b>	29		
(1) Basic		<u>21.06</u>	<u>25.17</u>
(2) Diluted		<u>21.06</u>	<u>25.17</u>
<b>Significant accounting policies</b>	3		
The accompanying notes are an integral part of these financial statements			

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Zydus Takeda Healthcare Private Limited

**Statement of changes in equity (SOCIE)**  
for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

(a) **Equity share capital**

	Amount
Balance as at 1 April 2018	2,000
Changes in equity share capital during 2018-19	-
Balance as at 31 March 2019	2,000
Changes in equity share capital during 2019-20	-
Balance as at 31 March 2020	2,000

(b) **Other equity**

	Reserves and surplus		Items of other	Total other equity
	General reserve	Retained earnings	Comprehensive income Remeasurements of the net defined benefit plans	
<b>Balance at 1 April 2018</b>	11,369	5,591	(64)	16,896
Profit for the year	-	5,033	-	5,033
Other comprehensive income for the year	-	-	(17)	(17)
<b>Total comprehensive income for the year</b>	-	5,033	(17)	5,016
<b>Transaction with owners, recorded directly in equity</b>				
<b>Distributions to owners</b>				
Interim dividend paid	-	(3,500)	-	(3,500)
Dividend distribution tax	-	(719)	-	(719)
<b>Balance at 31 March 2019</b>	11,369	6,405	(81)	17,693
Profit for the year	-	4,211	-	4,211
Other comprehensive income for the year	-	-	(36)	(36)
<b>Total comprehensive income for the year</b>	-	4,211	(36)	4,175
<b>Transaction with owners, recorded directly in equity</b>				
<b>Distributions to owners</b>				
Interim dividend paid	-	(2,000)	-	(2,000)
Dividend distribution tax	-	(411)	-	(411)
<b>Balance at 31 March 2020</b>	11,369	8,205	(117)	19,457

(i) a description of the purposes of each reserve within equity has been disclosed in the notes to accounts

The above statement of changes in equity should be read in conjunction with the accompanying notes.

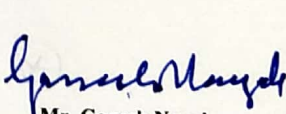
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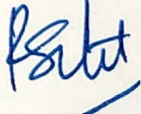
For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No: 101248 W/W-100022

For and on behalf of the Board of Directors of  
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Director  
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Ahmedabad  
28 May 2020

# Zydus Takeda Healthcare Private Limited

## Statement of cash flows

for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

Particulars	31 March 2020	31 March 2019
<b>Cash flow from operating activities</b>		
Profit before tax	6,017	7,189
Adjustments for :		
Loss on sale of property, plant and equipment	6	29
Unrealised foreign currency (gain) / loss	(235)	213
Depreciation and amortisation	837	798
Provision for indirect tax matters	35	135
Interest income on fixed deposit	(254)	(152)
Interest on VAT refund	(4)	-
Interest on income tax refund	-	(43)
<b>Operating profit before working capital changes</b>	<b>6,402</b>	<b>8,169</b>
Changes in working capital :		
Decrease / (increase) in trade receivables	1,843	(14)
Increase in other assets	(315)	(138)
Decrease / (increase) in other financial assets	131	(355)
Increase in inventories	(2,697)	(629)
(Decrease) / increase in other financial liabilities	(143)	485
Increase in current liabilities and provisions	159	70
Cash generated from operating activities	5,380	7,588
Income taxes paid (net)	(1,664)	(1,539)
<b>Cash generated from operating activities (A)</b>	<b>3,716</b>	<b>6,049</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment including capital work-in-progress (net)	(893)	(949)
Proceeds from sale of property, plant and equipment	24	26
Maturity of bank deposits (having original maturity of more than three months)	(1,969)	(28)
Interest on fixed deposits / VAT received / income tax refund	255	193
<b>Net cash flows used in investing activities (B)</b>	<b>(2,583)</b>	<b>(758)</b>
<b>Cash flows from financing activity</b>		
Dividend paid including dividend distribution tax	(2,411)	(4,219)
<b>Net cash flows used in financing activity (C)</b>	<b>(2,411)</b>	<b>(4,219)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(1,278)</b>	<b>1,072</b>
- Effect of exchange differences on cash and cash equivalent held in foreign currency	49	(12)
Cash and cash equivalents as at the beginning of the year	4,929	3,869
<b>Cash and cash equivalents as at the end of the year</b>	<b>3,700</b>	<b>4,929</b>
<b>Reconciliation of cash and cash equivalents with the Balance sheet</b>		
Cash and cash equivalents as per Balance sheet		
- Cash balance	-	-
- Bank balance in current accounts	3,700	4,429
- On deposit accounts (with original maturity of 3 months or less)	-	500
	<b>3,700</b>	<b>4,929</b>

### Notes :

The above Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard (IND AS) 7 - "Statement of Cash Flows".

Cash and cash equivalents comprises cash on hand, current accounts and deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition).

As per our report of even date attached

For **BSR & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248 W/W-100022

For and on behalf of the Board of Directors of

Zydus Takeda Healthcare Private Limited

CIN: U24231MH1999PTC119171

**Rahul Choudhary**

Partner

Membership No. 408408

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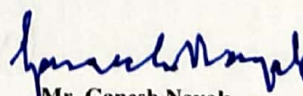
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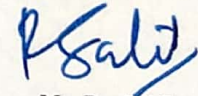
**Mr. Ganesh Nayak**

Director

DIN: 00017481

Ahmedabad

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**Mr. Pankaj Patel**

Director

DIN: 00131852

Ahmedabad

28 May 2020

# Zydus Takeda Healthcare Private Limited

## Notes to the financial statements

for the year ended 31 March 2020

(Currency in Indian Rupees in lakhs)

### 1. Company overview:

Zydus Takeda Healthcare Private Limited ('the Company'), a private limited company registered under provisions of Indian Companies Act. The Company is 100% export oriented unit engaged in manufacturing active pharmaceuticals ingredients and intermediates for Takeda Group Companies.

### 2. Basis of preparation

#### A. Statement of compliance

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) to comply with the Section 133 of the Companies Act 2013 ("the 2013 Act"), read with Rule 3 of the Companies (Indian Accounting Standards) Rule 2015, and Companies (Indian Accounting Standards) Rules, 2016. All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III to the Act. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalent, the Company has ascertained the operating cycle to be 12 months. Details of the Company's accounting policies are included in Note 3.

#### B. Functional and presentation currency

These financials statements are presented in Indian Rupees (INR), which is also the Company's functional currency. These financials statements are prepared in INR rounded off to the nearest lakh, unless otherwise stated.

#### C. Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities are measured at fair value;
- Defined benefit plans- plan assets measured at fair value.

#### D. Use of estimate and judgements

In preparing these financial statements, management has made judgement, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

#### Assumptions and estimate uncertainties

Information about assumptions and estimates that have a significant risk of resulting in material adjustments in the year ended 31 March 2020 included in the following notes:

- Note 31 – measurement of defined benefit obligations: key actuarial assumptions
- Note 36 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;

# Zybus Takeda Healthcare Private Limited

## Notes to the financial statements *(Continued)*

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 2. Basis of preparation *(Continued)*

#### E. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Head of finance.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirement of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's Board of Director. Fair values are categorised into different level in a fair value hierarchy based on the input used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the Note 32 – financial instruments.

### 3. Significant accounting policies

#### a. Foreign currency

##### Foreign currency transactions and balances

Transactions in foreign currencies are translated into functional currency using the exchange rates at the date of the transactions or an average rate if the average rate approximates the actual rate at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange when the fair value is determined. Non-monetary

# Zybus Takeda Healthcare Private Limited

## Notes to the financial statements (*Continued*)

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies (*Continued*)

#### a. Foreign currency (*Continued*)

##### Foreign currency transactions and balances (*Continued*)

assets and liabilities that are measured on historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Exchange differences are generally recognised in Statement of profit or loss.

#### b. Financial instruments

##### i. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

##### ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- FVOCI - debt investment;
- FVOCI-equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Zybus Takeda Healthcare Private Limited

## Notes to the financial statements (*Continued*)

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies (*Continued*)

#### b. Financial instruments (*Continued*)

##### ii. Classification and subsequent measurement (*Continued*)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment- by- investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised Cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.



# Zydus Takeda Healthcare Private Limited

## Notes to the financial statements (*Continued*)

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies (*Continued*)

#### b. Financial instruments (*Continued*)

##### ii. Classification and subsequent measurement (*Continued*)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

# Zybus Takeda Healthcare Private Limited

## Notes to the financial statements (*Continued*)

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies (*Continued*)

#### b. Financial instruments (*Continued*)

##### ii. Classification and subsequent measurement (*Continued*)

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in Statement of profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in Statement of profit or loss. Any gain or loss on derecognition is recognised in Statement of profit or loss.
Debt investment at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in Statement of profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to Statement of profit or loss.
Equity investment at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in Statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to Statement of profit or loss.

Financial Liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Statement of profit or loss. Any gain or loss on derecognition is also recognised in Statement of profit or loss.

##### iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

# Zybus Takeda Healthcare Private Limited

## Notes to the financial statements (*Continued*)

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies (*Continued*)

#### b. Financial instruments (*Continued*)

##### iii. Derecognition (*Continued*)

Financial liabilities (*Continued*)

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in Statement of profit or loss.

##### iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle than on a net basis or to realise the asset and settle the liability simultaneously.

##### v. Cash and Cash equivalents

Cash and cash equivalents comprises cash on hand, current accounts and deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### c. Property, Plant and equipment

##### *Recognition and measurement*

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of items of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in Statement of profit or loss.

Cost of items of property, plant and equipment not ready for intended use as on the balance sheet date, is disclosed as capital work in progress. Advances given towards acquisition of property, plant and equipment outstanding at each balance sheet date are disclosed as Capital Advance under Other non-current assets.

# Zydus Takeda Healthcare Private Limited

## Notes to the financial statements *(Continued)*

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies *(Continued)*

#### c. Property, Plant and equipment *(Continued)*

##### i. Subsequent expenditure

Subsequent expenditures is capitalised only if it probable that the future economic benefits associated with expenditure will flow to the Company.

##### ii. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight line method, and is generally recognised in the statement of profit and loss. Assets acquired under finance lease are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership at the end of lease term.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Assets	Management estimate of useful life (in years)	Useful life as per Schedule II
Leasehold land (Amortized over lease period)	64	-
Buildings	5 to 30	30
Plant and Machinery (Range for various assets)	3 to 20	15
Electrical Equipments	2 to 20	10
Motor Vehicles	5	10
Office Equipments	3 to 6	5
Furniture and Fixtures	2 to 10	10

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice the management believes that its estimated useful lives given above best represents the period over which management expects to use these assets.

Depreciation on additions (disposals) is provided on a pro-rate basis i.e. from (upto) the month on which assets is ready for use (disposed of).

#### d. Intangible assets

Intangible assets that are acquired by the Company are initially measured at cost. After initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment loss.

Subsequent expenditures is capitalised only if it probable that the future economic benefits associated with expenditure will flow to the Company.

Computer software is amortised on a straight line basis over a period of 3 - 7 years.

Amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

# Zybus Takeda Healthcare Private Limited

## Notes to the financial statements *(Continued)*

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies *(Continued)*

#### e. Inventories

Raw materials and packing materials are valued at cost, if the finished products in which they will be incorporated are expected to be sold at or above cost. If the decline in price of materials indicate that the cost of finished goods exceeds net realisable value, the materials are written down to net realisable value; cost is calculated on moving weighted average basis.

Work-in-progress and finished goods are carried at the lower of cost and net realizable value.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, weighted average cost method is used. In the case of manufactured inventories and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

In case of trial run inventory, cost is arrived at on full absorption basis.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realizable value. The net realizable value of work-in-progress is determined with reference to the selling prices of related finished products.

The comparison of cost and net realizable value is made on an item-by-item basis.

As the Company is a 100% EOU, Goods Service Tax is not applicable on export of finished goods.

#### f. Impairment

##### i. *Impairment of financial instruments*

The Company recognises loss allowances for expected credit losses on:

- Financial assets measured at amortised cost; and
- Financial assets measured at FVOCI-debt investments.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 32 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires life time expected credit losses to be recognised from initial recognition of the receivables.

# Zydus Takeda Healthcare Private Limited

## Notes to the financial statements (*Continued*)

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies (*Continued*)

#### f. Impairment (*Continued*)

##### ii. Impairment of non-financial assets

The Company's non-financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

The Company's corporate assets (e.g. Central office building for providing support to various CGUs) do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of profit and loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro ratas basis.

An impairment loss in respect of goodwill is not subsequently reversed. In respect of other assets for which impairment loss has been recognised in prior periods, the Company reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### g. Employee benefits

##### i. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

# Zybus Takeda Healthcare Private Limited

## Notes to the financial statements (*Continued*)

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies (*Continued*)

#### g. Employee benefits (*Continued*)

##### ii. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and will have no legal or constructive obligation to pay any further amounts. The Company makes specified monthly contribution towards employee provident fund, superannuation fund, national pension scheme and employee's state insurance to Government administered schemes which is a defined contribution plan. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in Statement of profit or loss in the periods in which the related services are rendered by employees.

##### iii. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in Statement of profit or loss

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in Statement of profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

# Zybus Takeda Healthcare Private Limited

## Notes to the financial statements (*Continued*)

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies (*Continued*)

#### g. Employee benefits (*Continued*)

##### iv. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an annual independent actuarial valuation using the projected unit credit method. Remeasurements gains or losses are recognised in Statement of profit or loss in the period in which they arise.

#### h. Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects the current market assessment of the time value of money and the risk –specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs. Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

#### i. Revenue Recognition

##### i. Sale of goods

Revenue is recognised on the basis of approved contracts regarding the transfer of goods to a customer for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue from sale of goods in the course of ordinary activities is measured at fair value of the consideration received, net of returns, trade discounts and volume rebates. This *inter alia* involves discounting of the consideration due to present value if payment extends beyond normal credit terms. Revenue is recognised when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer which is generally on delivery of goods.



# Zybus Takeda Healthcare Private Limited

## Notes to the financial statements (*Continued*)

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies (*Continued*)

#### i. Revenue Recognition (*Continued*)

##### ii. Other operating revenue

Revenue from sale of scrap is recognised when performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection. The amount recognised as revenue is exclusive of sales tax, goods and service tax (GST) and value added taxes (VAT).

##### iii. Interest and dividend income

Interest Income is recognised on effective interest method. Dividend Income is recognised when the right to receive is established.

##### iv. Government grants and assistance

Government grants related to property, plant and equipment's are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in Statement of profit or loss as other operating revenue on a systematic basis.

Export benefits available under prevalent schemes are accrued in the year in which the goods are exported and there is no uncertainty in receiving the same.

#### j. Taxation

Income-tax expense comprises current and deferred tax. It is recognised in Statement of profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

##### i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering uncertainty, if any, related to income taxes. It is measured using the tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the assets and settle the liability on a net basis or simultaneously.

##### ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:

# Zydus Takeda Healthcare Private Limited

## Notes to the financial statements *(Continued)*

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies *(Continued)*

#### j. Taxation *(Continued)*

##### ii. Deferred tax *(Continued)*

temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets - unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

##### iii. Minimum alternative tax

Minimum Alternative Tax ("MAT") under the provisions of the Income-tax Act, 1961 is recognised as current tax in the statement of profit and loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. In the year in which the (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the Statement of profit and loss and shown as MAT credit entitlement. MAT credit recognised as an asset is reviewed at each Balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

# Zydus Takeda Healthcare Private Limited

## Notes to the financial statements *(Continued)*

for the year ended 31 March 2020

(Currency in Indian Rupees)

### 3. Significant accounting policies *(Continued)*

#### k. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The board of directors of Zydus Takeda Healthcare Private Limited is the CODM and assesses the financial performance and position of the Company, and makes strategic decisions.

The Company operates under a single operating segment which consists of manufacturing active pharmaceuticals ingredients. 100% of the revenues are derived from one customer. Further, the Company is operating in a single geography i.e. Germany, hence, disclosures on geographical information have not been given.

#### l. Earnings per share (EPS)

Basic EPS is computed using the weighted average number of equity shares outstanding during the year.

Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the results would be antidilutive.

### Recent accounting pronouncements

Following are the amendments to the existing Ind AS standards:

- Amendments to References to Conceptual Framework in Ind AS Standards.
- Definition of Business (Amendment to Ind AS 103)
- Definition of Material (Amendments to Ind AS 1 and Ind AS 8)
- Ind AS 117 Insurance Contracts.

Based on preliminary assessment, the Company does not expect any significant impact on its financial statements on account of above amendments.

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) as at 31 March 2020

(Currency : Indian Rupees in lakhs)

### 4 Property, plant and equipment

Description	Leasehold land	Buildings	Plant and equipments	Furniture and fixtures	Vehicles	Office equipments	Total
Cost as at 1 April 2018	547	2,441	4,703	173	46	118	8,027
Additions during the year	-	96	419	30	32	72	649
Disposals during the year	-	(17)	(98)	(7)	(16)	(5)	(143)
<b>Cost as at 31 March 2019</b>	<b>547</b>	<b>2,520</b>	<b>5,024</b>	<b>196</b>	<b>62</b>	<b>185</b>	<b>8,533</b>
Additions during the year	-	38	823	40	20	56	977
Disposals during the year	-	(8)	(101)	(1)	(11)	(22)	(143)
<b>Cost as at 31 March 2020</b>	<b>547</b>	<b>2,550</b>	<b>5,746</b>	<b>234</b>	<b>71</b>	<b>219</b>	<b>9,367</b>
Accumulated depreciation as at 1 April 2018	33	314	2,038	100	26	34	2,545
Depreciation for the year	11	110	572	22	15	53	783
Deletions during the year	-	(3)	(58)	(7)	(15)	(5)	(88)
<b>Accumulated depreciation as at 31 March 2019</b>	<b>44</b>	<b>421</b>	<b>2,552</b>	<b>115</b>	<b>26</b>	<b>82</b>	<b>3,240</b>
Depreciation for the year	11	127	588	26	14	46	812
Deletions during the year	-	(1)	(78)	(1)	(11)	(22)	(113)
<b>Accumulated depreciation as at 31 March 2020</b>	<b>55</b>	<b>547</b>	<b>3,062</b>	<b>140</b>	<b>29</b>	<b>106</b>	<b>3,939</b>
<b>Net carrying amount as at 31 March 2019</b>	<b>503</b>	<b>2,099</b>	<b>2,472</b>	<b>81</b>	<b>36</b>	<b>103</b>	<b>5,293</b>
<b>Net carrying amount as at 31 March 2020</b>	<b>492</b>	<b>2,003</b>	<b>2,684</b>	<b>94</b>	<b>42</b>	<b>113</b>	<b>5,428</b>

### 5 Intangible assets

Description	Computer software	Total
Cost as at 1 April 2018	16	16
Additions during the year	57	57
Disposals during the year	-	-
<b>Cost as at 31 March 2019</b>	<b>73</b>	<b>73</b>
Additions during the year	73	73
Disposals during the year	-	-
<b>Cost as at 31 March 2020</b>	<b>146</b>	<b>146</b>
Accumulated amortisation as at 1 April 2018	15	15
Amortisation for the year	15	15
Deletions during the year	-	-
<b>Accumulated amortisation as at 31 March 2019</b>	<b>30</b>	<b>30</b>
Amortisation for the year	25	25
Deletions during the year	-	-
<b>Accumulated amortisation as at 31 March 2020</b>	<b>55</b>	<b>55</b>
<b>Net carrying amount as at 31 March 2019</b>	<b>43</b>	<b>43</b>
<b>Net carrying amount as at 31 March 2020</b>	<b>91</b>	<b>91</b>

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) as at 31 March 2020

(Currency : Indian Rupees in lakhs)

	31 March 2020	31 March 2019
<b>6 Other financial assets</b>		
<i>(Unsecured, considered good)</i>		
Security deposits	98	99
Balances with government authorities	1,660	1,372
Earmarked Bank Deposits against guarantees (with original maturity of more than 12 months) *	163	151
* INR 163 lakhs (31 March 2019 : INR 151 lakhs) held as lien with bank against letter of credit and bank guarantees issued to Maharashtra Pollution Control Board and Mahanagar Gas Limited.		
	<u>1,921</u>	<u>1,622</u>
<b>7 Deferred tax assets (net)</b>		
<i>Deferred tax liabilities:</i>		
Property, plant and equipment and intangible assets	<u>(108)</u>	<u>(101)</u>
	<u>(108)</u>	<u>(101)</u>
<i>Deferred tax assets:</i>		
Employee benefits	275	268
Provision for contingencies	<u>43</u>	<u>39</u>
	<u>318</u>	<u>307</u>
<b>Net deferred tax assets</b>	<u>210</u>	<u>206</u>
<b>8 Non-current tax assets (net)</b>		
Advance payment of tax (net of provision)	927	938
[Advance payment of tax net of provision for taxation of INR 9,259 lakhs {as at 31 March 2019: INR 9,189 lakhs}]		
	<u>927</u>	<u>938</u>
<b>9 Other non-current assets</b>		
<i>(Unsecured, considered good)</i>		
Capital advances	142	217
Prepaid expenses	4	6
	<u>146</u>	<u>223</u>
<b>10 Inventories</b>		
<i>(Valued at the lower of cost and net realisable value)</i>		
Raw materials	2,143	1,234
(including raw material in transit amounting INR 323 lakhs, 31 March 2019: INR 258 lakhs)		
Work-in-progress	4,331	3,119
Finished goods	964	385
Stores and spares	47	49
Packing materials	24	25
	<u>7,509</u>	<u>4,812</u>
Write downs of inventories Nil (31 March 2019 INR 49 lakhs) has been recognised as an expense during the year. These adjustments were included in cost of material consumed and included in change in inventories of finished goods and work in progress in Statement of profit and loss.		
<b>11 Trade receivables</b>		
- Considered good - unsecured	1,577	3,214
	<u>1,577</u>	<u>3,214</u>

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) as at 31 March 2020

(Currency : Indian Rupees in lakhs)

	31 March 2020	31 March 2019
<b>12A Cash and cash equivalents</b>		
Balances with banks		
On current accounts	3,700	4,429
Fixed deposit (with original maturity of 3 months or less)	-	500
Cash on hand (as at 31 March 2020 : INR 16,953 and 31 March 2019 : INR 24,786)	-	-
	<u>3,700</u>	<u>4,929</u>
<b>12B Bank balances other than cash and cash equivalents</b>		
Fixed deposit - original maturity more than 3 months and less than 12 months	2,036	67
	<u>2,036</u>	<u>67</u>
<b>* Details of bank balance / deposits :</b>		
Bank deposits due to mature within 12 months of the reporting date included under 'Bank balances other than cash and cash equivalents'	2,036	67
	<u>2,036</u>	<u>67</u>
<b>* INR 33 lakhs (31 March 2019 : INR 46 lakhs) held as lien with bank against letter of credit and bank guarantees issued to Maharashtra Pollution Control Board and Mahanagar Gas Limited.</b>		
<b>13 Other current financial assets</b> (Unsecured, considered good unless otherwise stated)		
Loans and advances to employees	9	4
Other receivables		
- Considered good - unsecured	54	81
- Receivables which have significant increase in Credit Risk (refer note 43)	32	32
	<u>86</u>	113
Less: Allowances for doubtful receivables	<u>(32)</u>	<u>(32)</u>
	54	81
Interest receivables on VAT refund	2	-
Interest receivables on fixed deposits	5	4
Export incentive receivables	183	591
	<u>253</u>	<u>680</u>
<b>14 Other current assets</b> (Unsecured, considered good)		
Prepaid expenses	67	47
Advances to suppliers	460	163
	<u>527</u>	<u>210</u>

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) as at 31 March 2020

(Currency : Indian Rupees in lakhs)

	31 March 2020	31 March 2019
<b>15 Equity share capital</b>		
<i>Authorised shares</i>		
20,000,000 [31 March 2019: 20,000,000] equity shares of 10 each	2,000	2,000
	<b>2,000</b>	<b>2,000</b>
<i>Issued, subscribed and fully paid up</i>		
20,000,000 [31 March 2019: 20,000,000] equity shares of 10 each	2,000	2,000
	<b>2,000</b>	<b>2,000</b>

- (a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

	31 March 2020		31 March 2019	
	No. of shares	Amount in lakhs	No. of shares	Amount in lakhs
At the beginning of the year	20,000,000	2,000	20,000,000	2,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	<b>20,000,000</b>	<b>2,000</b>	20,000,000	2,000

- (b) The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity share holders of the Company are entitled to receive interim and / or final dividend as declared and approved by the Board of Directors and / or the share holders of the Company. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

- (c) Details of Share Holders holding more than 5% of equity shares as at 31 March 2020 is as under:

[M/s. Cadila Healthcare Limited is holding 9,999,900 (31 March 2019 : 9,999,900) equity shares of INR 10 each fully paid up which is 49.9995% of the total holding.]

[M/s. Takeda GmbH is holding 10,000,000 (31 March 2019 : 10,000,000) equity shares of INR 10 each fully paid up which is 50% of the total holding.]

- (d) Shares held by related parties

Name of the Related Party	Related party relationship	31 March 2020		31 March 2019	
		No. of shares	%	No. of shares	%
M/s. Cadila Healthcare Limited	Joint venture promoter	9,999,900	49.9995%	9,999,900	49.9995%
Mr. Pankaj Patel	Director and nominee share holder	100	0.0005%	100	0.0005%
M/s. Takeda GmbH	Joint venture promoter	10,000,000	50.0000%	10,000,000	50.0000%

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) as at 31 March 2020

(Currency : Indian Rupees in lakhs)

	31 March 2020	31 March 2019
<b>16 Other equity</b>		
A. General reserve	11,369	11,369
B. Retained earnings	8,205	6,405
C. Other comprehensive income	(117)	(81)
	<u>19,457</u>	<u>17,693</u>
<b>Reserves and surplus</b>		
<b>A. General reserve</b>		
Opening balance	11,369	11,369
Closing balance	<u>11,369</u>	<u>11,369</u>
<b>B. Retained earnings</b>		
Opening balance	6,405	5,591
Add: Profit for the year	4,211	5,033
Less : Interim dividend	(2,000)	(3,500)
Less : Dividend distribution tax (net of credit)	(411)	(719)
Closing balance	<u>8,205</u>	<u>6,405</u>
<b>C. Other comprehensive income / (loss)</b>		
<b>Actuarial Loss</b>		
Opening balance	(81)	(64)
Movement during the year (net of tax)	(36)	(17)
Closing balance	<u>(117)</u>	<u>(81)</u>

### Nature and purpose of reserves:

#### General reserve:

General reserve is a free reserve and is permitted to be distributed to shareholders as part of dividend. The Company had transferred a portion of the net profit before declaring dividend to general reserve pursuant to the earlier provisions of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013.

#### Retained earnings:

Retained earnings are the accumulated earnings of current and prior periods which have been disclosed in the Statement of profit and loss.



# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) as at 31 March 2020

(Currency : Indian Rupees in lakhs)

	31 March 2020	31 March 2019
<b>17 Provisions</b>		
<b>Non-current</b>		
Provision for employee benefits - compensated absences	805	666
Other long-term provisions - long service award	59	47
Other long-term provisions - balance with government authorities	170	135
	<u>1,034</u>	<u>848</u>
<b>Current</b>		
Provision for gratuity	121	122
Provision for employee benefits - compensated absences	135	99
Other provisions - long service award	19	10
	<u>275</u>	<u>231</u>
<b>18 Trade payables</b>		
(a) total outstanding dues of micro enterprises and small enterprises; (refer note 38)	146	114
(b) total outstanding dues of creditors other than micro enterprises and small enterprises.	898	1,105
	<u>1,044</u>	<u>1,219</u>
<b>19 Other current financial liabilities</b>		
Other payables (refer note 45)	289	271
Retention money	53	17
Customer deposits	2	2
Payable to employees	67	69
	<u>411</u>	<u>359</u>
<b>20 Other current liabilities</b>		
Payable to statutory authorities	78	66
	<u>78</u>	<u>66</u>
<b>21 Current tax liabilities (net)</b>		
Provision for taxation (net of advance tax) [net of advance payment of INR 7,796 lakhs {as at 31 March 2019: INR 6,185 lakhs}]	306	184
	<u>306</u>	<u>184</u>

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

	31 March 2020	31 March 2019
<b>22 Revenue from operations</b>		
Sale of products (refer note 44)	17,400	17,873
Other operating revenues		
- Income from export incentives	479	1,580
(Previous year's income includes export incentives for the year 2018-19 of Rs. 494 lakhs and balance Rs. 1,086 lakhs of earlier years i.e. 2015-16, 2016-17 and 2017-18)		
- Miscellaneous income	311	352
	<u>18,190</u>	<u>19,805</u>
<b>23 Other income</b>		
Interest income on		
- Fixed deposit	254	152
- Income tax / VAT refund	4	43
Gain on foreign currency transactions and translation (net)	223	-
Insurance claims received	-	10
Other miscellaneous income	3	5
	<u>484</u>	<u>210</u>
<b>24 Cost of materials consumed</b>		
Inventory of materials at the beginning of the year	1,259	1,058
Add : Purchases	8,170	6,207
Less : Inventory of materials at the end of the year	2,167	1,259
	<u>7,262</u>	<u>6,006</u>
<b>25 Changes in inventories of finished goods and work-in-progress</b>		
Inventories at the end of the year		
Work-in-progress	4,331	3,119
Finished goods	964	385
	<u>5,295</u>	<u>3,504</u>
Inventories at the beginning of the year		
Work-in-progress	3,119	2,690
Finished goods	385	364
	<u>3,504</u>	<u>3,054</u>
	<u>(1,791)</u>	<u>(450)</u>
<b>26 Employee benefits expense</b>		
Salaries, wages and bonus	2,545	2,350
Contribution to provident and other funds (refer note 31)	234	250
Staff welfare expenses	261	219
	<u>3,040</u>	<u>2,819</u>
<b>27 Depreciation and amortisation expenses</b>		
Depreciation on property, plant and equipment	812	783
Amortisation of intangible assets	25	15
	<u>837</u>	<u>798</u>

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

	31 March 2020	31 March 2019
<b>28 Other expenses</b>		
Consumption of stores and spare parts	316	344
Power and fuel	1,265	1,227
Repairs:		
- On buildings	139	140
- On plant and machinery	351	395
- On others	9	16
Insurance	131	61
Rates and taxes	90	80
Contract Labour Charges	189	153
Traveling and conveyance expenses	52	41
Legal and professional fees	147	118
Loss on foreign currency transactions and translation (net)	-	386
Freight and forwarding on sales	2	13
Directors' fees	1	1
Balance receivable written off	15	10
Provision for indirect tax matters	35	135
Net loss on sale property, plant and equipment (net)	6	29
Corporate social responsibility expenses (refer note 40)	145	113
Bank commission and charges	6	4
Miscellaneous expenses	410	387
	<u>3,309</u>	<u>3,653</u>
<b>Legal and professional fees includes :</b>		
Auditors' remuneration		
Statutory audit	40	40
Tax audit	5	5
Other services	6	5
Out of pocket expenses	2	2
	<u>53</u>	<u>52</u>
<b>29 Earning per share (EPS)</b>		
Profit for the year	4,211	5,033
Weighted average number of equity shares (Nos.)	20,000,000	20,000,000
Nominal value per share	10	10
Basic and Diluted earnings per share (in INR.)	21.06	25.17

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

### 30 Income tax

	31-Mar-20	31-Mar-19
<b>(a) Amounts recognised in profit or loss</b>		
<b>Current tax :</b>		
Current year	1,798	2,214
<b>Current income tax</b>	<u>1,798</u>	<u>2,214</u>
<b>Deferred tax :</b>		
Current year origination and reversal of temporary differences	8	(58)
<b>Deferred tax expense</b>	<u>8</u>	<u>(58)</u>
<b>Total income tax recognised in profit or loss</b>	<u><u>1,806</u></u>	<u><u>2,156</u></u>
<b>(b) Amounts recognised in other comprehensive income</b>		
Remeasurements of the defined benefit plans	12	7
<b>Total income tax recognised in other comprehensive income</b>	<u>12</u>	<u>7</u>
<b>(c) Reconciliation of effective tax rate</b>		
Profit before tax	6,017	7,189
Tax using the Company's domestic tax rate	29.12%	29.12%
Expected income tax expenses	1,752	2,093
<b>Tax effect of:</b>		
Effect of expenses that are not deductible in determining taxable profit	12	26
Corporate social responsibility expenditure disallowed	21	17
On account of rate difference	33	-
Others	(12)	20
<b>Tax expenses as per statement of profit and loss</b>	<u><u>1,806</u></u>	<u><u>2,156</u></u>

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

### 30 Income tax (Continued)

#### (d) Movement in deferred tax balances as at 31 March 2020

	Net balance 1 April 2019	Recognised in profit or loss	Recognised in OCI	Recognised in Balance Sheet	31 March 2020		
					Net	Deferred tax asset	Deferred tax liability
<b>Deferred tax asset (net)</b>							
Property, plant and equipment	(101)	(7)	-	-	(108)	-	(108)
Employee benefits	268	(5)	12	-	275	275	-
Provision for indirect tax matters	39	4	-	-	43	43	-
Minimum alternate tax credit entitlement	-	-	-	-	-	-	-
<b>Tax assets / (liabilities)</b>	<b>206</b>	<b>(8)</b>	<b>12</b>	<b>-</b>	<b>210</b>	<b>318</b>	<b>(108)</b>
Set off tax	-	-	-	-	-	(318)	318
<b>Net tax assets</b>	<b>206</b>	<b>(8)</b>	<b>12</b>	<b>-</b>	<b>210</b>	<b>-</b>	<b>210</b>

#### (e) Movement in deferred tax balances as at 31 March 2019

	Net balance 1 April 2018	Recognised in profit or loss	Recognised in OCI	Recognised in Balance Sheet	31 March 2019		
					Net	Deferred tax asset	Deferred tax liability
<b>Deferred tax asset (net)</b>							
Property, plant and equipment	(105)	4	-	-	(101)	-	(101)
Employee benefits	246	15	7	-	268	268	-
Provision for indirect tax matters	-	39	-	-	39	39	-
Minimum alternate tax credit entitlement	582	-	-	(582)	-	-	-
<b>Tax assets / (liabilities)</b>	<b>723</b>	<b>58</b>	<b>7</b>	<b>(582)</b>	<b>206</b>	<b>307</b>	<b>(101)</b>
Set off tax	-	-	-	-	-	(307)	307
<b>Net tax assets</b>	<b>723</b>	<b>58</b>	<b>7</b>	<b>(582)</b>	<b>206</b>	<b>-</b>	<b>206</b>

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

### 31 Employee benefit

The Company contributes to the following post-employment defined benefit plans in India.

#### (i) Defined contribution plans:

The Company makes contributions towards provident fund, superannuation fund, national pension scheme and other retirement benefits to a defined contribution retirement benefit plan for qualifying employees. Under the plan, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit plan to fund the benefits.

The Company recognised INR 34 lakhs (previous year INR 33 lakhs) for superannuation contribution, national pension scheme and employees' state insurance contributions in the Statement of profit and loss.

The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

The Company recognised INR 124 lakhs (previous year INR 117 lakhs) for provident fund contributions in the Statement of profit and loss.

#### (ii) Defined benefit plan:

A) The Company makes annual contributions to the Group Gratuity cum Life Assurance Schemes administered by the LIC of India, a funded defined benefit plan for qualifying employees. The scheme provides for payment as under:

i) On normal retirement / early retirement / withdrawal / resignation:

As per the provisions of the Payment of Gratuity Act, 1972 with vesting period of 5 years of service.

ii) On death in service:

As per the provisions of the Payment of Gratuity Act, 1972 without any vesting period.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2020. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

#### B) Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components :

	Defined benefit obligation		Fair value of plan assets		Net defined benefit	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
<b>Opening balance</b>	<b>616</b>	<b>504</b>	<b>493</b>	<b>394</b>	<b>123</b>	<b>110</b>
<b>Included in profit or loss</b>						
Current service cost	71	53	-	-	71	53
Past service cost *	-	40	-	-	-	40
Interest cost (income)	46	38	-	-	46	38
Return on plan assets	-	-	41	30	(41)	(30)
	<b>117</b>	<b>131</b>	<b>41</b>	<b>30</b>	<b>76</b>	<b>101</b>
<b>Included in OCI</b>						
Remeasurement loss / gain:						
Actuarial loss / gain arising from:						
Demographic assumptions	1	(23)	-	-	1	(23)
Financial assumptions	76	10	(3)	-	79	10
Experience adjustment	(32)	37	-	-	(32)	37
	<b>45</b>	<b>24</b>	<b>(3)</b>	<b>-</b>	<b>48</b>	<b>24</b>
<b>Other</b>						
Contributions paid by the employer	-	-	126	113	(126)	(113)
Benefits paid	(6)	(44)	(6)	(44)	-	-
<b>Closing balance</b>	<b>772</b>	<b>615</b>	<b>651</b>	<b>493</b>	<b>121</b>	<b>122</b>
<b>Represented by</b>						
Net defined benefit asset					-	-
Net defined benefit liability					121	122
					<b>121</b>	<b>122</b>
Current					121	122

\* Maximum limit for gratuity has changed from INR 20 lakhs to 'no limit' during the previous year. This has led to a past service cost of INR 40 lakhs in the previous year.

#### C) Plan assets

Plan assets comprise the following	31 March 2020	31 March 2019
Investment in Life insurance corporation of India	100%	100%
Expected contribution towards fund	121	122

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

### 31 Employee benefit (Continued)

#### (ii) Defined Benefit Plan: (Continued)

#### D) Defined benefit obligations

##### i. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31 March 2020	31 March 2019
Discount rate	6.60%	7.55%
Salary escalation rate	12.00%	12.00%
Mortality rate	IALM (2012-14) Ultimate	IALM (2006-08) Ultimate
	Age Based:	Age Based:
Withdrawal rate	Upto 30 years - 9%	Upto 30 years - 9%
	31-40 years - 5%	31-40 years - 5%
	above 40 years - 4%	above 40 years - 4%
Retirement age	60 Years	60 Years

Assumptions regarding future mortality have been based on published statistics and mortality tables.

##### ii. Amount for the current and previous four periods are as follows :

Particulars	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
Defined benefit obligation	772	615	504	381	297
Plan assets	651	493	394	298	193
Deficit	121	122	110	83	104
Experience gain/(loss) adjustments on plan liabilities	(32)	37	5	(4)	(1)
Experience adjustments gain	3	-	(1)	3	(2)
Actuarial (gain)/loss due to change	76	(13)	(24)	42	79
Total (Gain)/ loss	47	24	(20)	41	76

#### E) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 March 2020		31 March 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (100 basis point)	691	864	552	690
Future salary growth (100 basis point)	858	694	686	554

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

#### F) Expected future cash flows

The expected future cash flows in respect of gratuity were as follows:

##### Expected contribution

The expected contributions for defined benefit plan for the next financial year will be in line with the contribution for the year ended 31 March 2020.

Expected future benefit payments from the fund	31 March 2020	31 March 2019
1st following year	40	19
2nd following year	22	37
3rd following year	37	21
4th following year	47	34
5th following year	46	42
Sum of Years 6 to 10	290	228

#### (iii) Other long-term employee benefits

Compensated absences are payable to employees. The charge towards compensated absences for the year ended 31 March 2020 based on actuarial valuation using the projected accrued benefit method is INR 940 lakhs (Current liability - INR 135 lakhs; Non-current liability - INR 805 lakhs) [31 March 2019 : INR 765 lakhs (Current liability - INR 99 lakhs; Non-current liability - INR 666 lakhs)].

Long service awards are payable to employees. The charge towards long service awards for the year ended 31 March 2020 based on actuarial valuation using the projected accrued benefit method is INR 78 lakhs (Current liability - INR 19 lakhs; Non-current liability - INR 59 lakhs) [31 March 2019 : INR 57 lakhs (Current liability - INR 10 lakhs; Non-current liability - INR 47 lakhs)].

## Zydus Takeda Healthcare Private Limited

### Notes to the Ind AS financial statements (Continued)

for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

### 32 Financial instruments – fair values and risk management

#### A. Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities if the carrying amount is a reasonable approximation of fair value.

31 March 2020	Notes	Carrying amount			Total	Fair value			Total
		FVTPL	FVTOCI	Amortised cost		Level 1	Level 2	Level 3	
<b>Financial assets</b>									
Trade receivables	11	-	-	1,577	1,577	-	-	-	-
Cash and bank balances	12A	-	-	3,700	3,700	-	-	-	-
Bank balances other than cash and cash equivalents	12B	-	-	2,036	2,036	-	-	-	-
Other financial assets	13	-	-	253	253	-	-	-	-
Other non-current financial assets	6	-	-	1,921	1,921	-	-	-	-
		-	-	9,487	9,487	-	-	-	-
<b>Financial liabilities</b>									
Trade payables	18	-	-	1,044	1,044	-	-	-	-
Other financial liabilities	19	-	-	411	411	-	-	-	-
		-	-	1,455	1,455	-	-	-	-

31 March 2019	Notes	Carrying amount			Total	Fair value			Total
		FVTPL	FVTOCI	Amortised cost		Level 1	Level 2	Level 3	
<b>Financial assets</b>									
Trade receivables	11	-	-	3,214	3,214	-	-	-	-
Cash and bank balances	12A	-	-	4,929	4,929	-	-	-	-
Bank balances other than cash and cash equivalents	12B	-	-	67	67	-	-	-	-
Other financial assets	13	-	-	680	680	-	-	-	-
Other non-current financial assets	6	-	-	1,622	1,622	-	-	-	-
		-	-	10,512	10,512	-	-	-	-
<b>Financial liabilities</b>									
Trade payables	18	-	-	1,219	1,219	-	-	-	-
Other financial liabilities	19	-	-	359	359	-	-	-	-
		-	-	1,578	1,578	-	-	-	-

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets and liabilities measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates.	Not applicable	Not applicable



# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued)

for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

### 32 Financial instruments – fair values and risk management (Continued)

#### B. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- i. Credit risk;
- ii. Liquidity risk; and
- iii. Market risk

#### Financial risk management framework

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors is responsible for overseeing the Company's risk assessment and management policies and processes.

#### i. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company has significant concentration of credit risk with respect to the sales of active pharmaceuticals ingredients as the Company sells all the active pharmaceuticals ingredients to Takeda group companies. Management closely monitors the credit quality and collectability of receivables. Since the Company sales to the group company, there is no credit risk attached to the company's receivables.

#### Trade and other receivables

Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows:

	31 March 2020	31 March 2019
Neither past due nor impaired	1,577	3,214
<b>Past due but not impaired</b>		
Past due 1-90 days	-	-
Past due 91-180 days	-	-
	<b>1,577</b>	<b>3,214</b>

Further, management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk.

#### Cash and bank balances

The Company held Cash and bank balances with credit worthy banks and financial institutions of INR 5,899 lakhs as at 31 March 2020 (INR 5,148 lakhs as at 31 March 2019). The credit worthiness of such banks and financial institutions is evaluated by the management on an ongoing basis and is considered to be good.

Other than trade and other receivables, the Company has no other financial assets that are past due but not impaired.

#### ii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

#### Exposure to liquidity risk

The table below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non derivative financial liabilities

As at 31 March 2020	Carrying amount	Total	Contractual cash flows			
			1 year or less	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Trade payables	1,044	1,044	1,044	-	-	-
Other financial liabilities	411	411	411	-	-	-

As at 31 March 2019	Carrying amount	Total	Contractual cash flows			
			1 year or less	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Trade payables	1,219	1,219	1,219	-	-	-
Other financial liabilities	359	359	359	-	-	-

# Zybus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued)

for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

### 32 Financial instruments – fair values and risk management (Continued)

#### B. Financial risk management (Continued)

##### iii. Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short-term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

##### Currency risk

The fluctuation in foreign currency exchange rates may have potential impact on the Statement of profit and loss account and equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the entity.

Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in U.S. dollar and Euro, against the functional currency of the Company.

##### Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

Amounts in INR	31 March 2020		31 March 2019	
	EUR	USD	EUR	USD
<b>Assets</b>				
Trade receivables	1,577	-	3,214	-
Advance recoverable in cash or kind	17	-	346	-
Bank balance	1,680	-	2,740	-
<b>Total Assets</b>	<b>3,274</b>	<b>-</b>	<b>6,300</b>	<b>-</b>
<b>Liabilities</b>				
Trade payables	220	64	550	65
<b>Total Liabilities</b>	<b>220</b>	<b>64</b>	<b>550</b>	<b>65</b>

##### Sensitivity analysis

A 10% strengthening / weakening of the respective foreign currencies with respect to functional currency of the Company would result in increase or decrease in profit or loss and equity as shown in table below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The following analysis has been worked out based on the exposures as of the date of statements of financial position.

Effect in INR	Profit or loss		Equity	
	Strengthening	Weakening	Strengthening	Weakening
<b>31 March 2020</b>				
EUR	305	(305)	-	-
USD	(6)	6	-	-
<b>31 March 2019</b>				
EUR	575	(575)	-	-
USD	(7)	7	-	-

(Note: The impact is indicated on the profit/loss and equity before tax basis)

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements *(Continued)*

for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

### **32 Financial instruments – fair values and risk management *(Continued)***

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no borrowings from banks and financial institutions.

#### **Exposure to interest rate risk**

Since the Company does not have any financial assets or financial liabilities bearing floating interest rates, a change in interest rates at the reporting date would not have any significant impact on the financial statements of the Company.

### **33 Capital Management**

The Company's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

The Company has adequate cash and bank balances and does not have any debt. The Company monitors its capital by a careful scrutiny of the cash and bank balances, and a regular assessment of any debt requirements. In the absence of any debt, the maintenance of debt equity ratio etc. may not be of any relevance to the Company.

## Zydus Takeda Healthcare Private Limited

### Notes to Ind AS the financial statements (Continued) for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs unless otherwise stated)

#### 34 Related party disclosures

The table provides the information about the Company's structure including the details of the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

##### Related parties and nature of relationship :

##### i. Enterprises where control exists :

Parties having substantial interest in the Company

- a.) Takeda GmbH (holds 50% of the equity share capital as at 31 March 2020)
- b.) Cadila Healthcare Limited ('CHL') (holds 50% of the equity share capital as at 31 March 2020)

##### ii. Other parties with whom the Company had transaction during the year :

- a.) Takeda Pharmaceuticals International AG (Fellow subsidiary)
- b.) Zydus Foundation (Fellow subsidiary)

##### iii. Key management personnel of the Company for the year

Name	Category of directorship
Dr. K Ravi Chandran	Managing Director (upto 31 October 2018)
Mr. Natwar Panchal	Managing Director (w.e.f. 01 November 2018 and upto 24 April 2020)
Dr. Thomas Wozniowski	Chairman
Mr. Pankaj Patel	Director
Mr. Michael Zingg	Director
Mr. Ganesh Nayak	Director
Mr. Sebastian Wehle	Director (upto 27 June 2018)
Mr. Eduardo Montanha	Director (w.e.f. 27 June 2018)

##### Details of Related party transactions :

Particulars	31 March 2020	31 March 2019
<b>Sales (net)</b>		
Takeda GmbH	17,400	17,873
<b>Materials purchased</b>		
Cadila Healthcare Limited	305	106
<b>Corporate social responsibility expenses</b>		
Zydus Foundation	145	-
<b>Reimbursement of expenses received</b>		
Takeda GmbH	33	-
Takeda Pharmaceuticals International AG	71	96
<b>Dividend remittances</b>		
Takeda GmbH	1,000	1,750
Cadila Healthcare Limited	1,000	1,750
<b>Key management personnel remuneration</b>		
Dr. K. Ravichandran	-	285
Mr. Natwar Panchal	119	76
<b>Sitting fees to directors (amounts in INR)</b>		
Dr. Thomas Wozniowski	Rs. 20,000	Rs. 20,000
Mr. Pankaj Patel	Rs. 15,000	Rs. 20,000
Mr. Michael Zingg	Rs. 20,000	Rs. 20,000
Mr. Ganesh Nayak	Rs. 20,000	Rs. 25,000
Mr. Eduardo Montanha	Rs. 20,000	Rs. 15,000

##### Outstanding balances

Particulars	As at 31 March 2020	As at 31 March 2019
<b>Payables</b>		
Takeda GmbH (refer note 45)	326	306
Cadila Healthcare Limited	27	30
<b>Receivables</b>		
Takeda GmbH	1,577	3,214

Transactions with key management personnel

(i) Compensation of Key management personnel of the Company

Particulars	As at 31 March 2020	As at 31 March 2019
Short-term employee benefits	119	362
Sitting Fees to Directors	1	1
<b>Total</b>	<b>120</b>	<b>363</b>

Note: The remuneration to key managerial personnel excludes gratuity and compensated absences as the provision is computed for the Company as a whole and separate figures are not available. However it includes gratuity and compensated absences paid to Dr. K. Ravichandran during the previous year.

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued) for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

### 35 Commitments

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) INR 359 lakhs (31 March 2019: INR 297 lakhs).
- ii) Open commitment for net foreign exchange earnings for the current year will be INR 7,208 lakhs (31 March 2019: INR 19,356 lakhs).

### 36 Contingent liabilities

Particulars	As at	As at
	31 March 2020	31 March 2019
(a) <u>Income tax matters in respect of which :</u>		
Tax authorities have appealed against income tax orders which were ruled in favour of the Company at ITAT and High Court level	18,372	29,530
(b) In respect of demands raised by the Central Excise, State Excise and Service Tax department against which the Company has preferred appeals. The Company has been legally advised that the demand is not tenable	50	50

- (c) The Hon'ble Supreme Court of India ("SC") by their order dated February 28, 2019, in the case of Surya Roshani Limited & others v/s EPFO, set out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution.

In view of the management, based on legal advice obtained, the liability for the period from the date of the SC order to 31 March 2020 is not significant and has not been accrued in the books of account. Further, pending directions from the EPFO, the impact for the past period, if any, is not ascertainable and consequently no effect has been given in the accounts. Accordingly, this has been disclosed as a Contingent liability in the financial statements.

#### Note:

The management believes no outflow of resources will be required to settle these demands, hence no provision has been made in the books of accounts for the same.

### 37 Segment reporting

The Company operates under a single operating segment which consists of manufacturing active pharmaceuticals ingredients. 100% of the revenues are derived from sale of goods to one customer, Takeda GmbH, which is a related party. Further, the Company is operating in a single geography segment i.e. sale of goods in Germany. Accordingly, disclosures relating to geographical information under the Indian Accounting Standard on Operating segments (Ind AS-108) notified under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Accounts) Rules, 2015 are not relevant to the Company.

### 38 Details of dues to micro, small and medium enterprises as defined under the MSMED Act, 2006

	Year ended 31 March 2020	Year ended 31 March 2019
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	146	114
The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprise Development Act ("MSMED Act") 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Development Act, 2006.	-	-

### 39 Dividend remittances

	Year ended 31 March 2020	Year ended 31 March 2019
<b>Particulars</b>		
Interim dividend to shareholders for the year	2,000	3,500
Number of shareholders	3	3
Number of shares held	20,000,000	20,000,000
Dividend per share in Rs.	10.00	17.50
Year to which dividend relate	2019-20	2018-19

# Zydus Takeda Healthcare Private Limited

## Notes to the Ind AS financial statements (Continued)

for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

### 40 Corporate social responsibility

As per Section 135 of the Companies Act, 2013, a CSR committee has been formed by the Company. The funds were primarily allocated and utilised through the year on these activities which are specified in Schedule VII of the Companies Act, 2013.

- Gross amount required to be spent by the Company during the year is INR 145 lakhs (Previous year INR 113 lakhs).
- Amount spent during the year on :

Activity	Year ended	Year ended
	31 March 2020	31 March 2019
Healthcare - Contribution towards construction of hospital and medical college and purchasing new medical equipment.	145	113

### 41 Details of Capital work-in-progress including expenditure during expansion

#### Details of Capital Work in progress including expenditure during expansion

Particulars	As at	As at
	31 March 2020	31 March 2019
(i) Property, plant and equipment pending installation	280	363
<b>Total capital work-in-progress</b>	<b>280</b>	<b>363</b>

### 42 Transfer pricing

The Company's management is of the opinion that its international transactions and domestic transactions are at arm's length as per the independent accountants report for the year ended 31 March 2019. Management continues to believe that its international transactions post March 2019 and the specified domestic transactions covered by the new regulations are at arm's length and that the transfer pricing legislation will not have any impact on these financial statements, particularly on amount of tax expense and that of provision of taxation.

- During the earlier year, management of the Company detected a case of misappropriation of INR 150 lakhs of Company's funds by an employee. On the basis the investigation conducted by the management, the employee was found to have perpetrated misappropriation of INR 150 lakhs by diverting the amount for personal use towards purchase of immovable property. The Company has filed a police complaint against the said employee and matter is under police investigation. The Company has terminated the services of the said employees.

During FY 2017-18, the Company secured the title over immovable property acquired by the said employee from the amount so misappropriated. The transfer agreement was executed on 16 February 2018 and the property has been registered in the name of the Company for a value of INR 118 lakhs. As a matter of abundant precaution, the management has provided for the balance amount of INR 32 lakhs.

### 44 Revenue:

#### A. Revenue streams:

The Company generates revenue primarily from the sale of active pharmaceuticals ingredients (API) to its customer Takeda GmbH, a related party.

#### B. Disaggregation of revenue from contracts with customers:

The Company operates under a single operating segment which consists of manufacturing active pharmaceuticals ingredients. 100% of the revenues are derived from single customer. Further, the Company is operating in a single geography i.e. Germany, hence, there are no disclosures for disaggregation of revenue from contracts with customers.

#### C. Contract balances:

The entire balance of Trade Receivables comprises of balance receivable on account of revenue recognised from sale of API to Takeda GmbH.

#### D. Performance obligations and revenue recognition policies:

Revenue is recognised when a performance obligation is satisfied, i.e. when 'control' of the goods underlying the particular performance obligation is transferred to the customer.

- There is a payable to Takeda GmbH of Euro 393,835 [INR 326 lakhs (previous year INR 306 lakhs)] towards certain transactions relating to earlier years (purchases from Takeda GmbH, rejections by Takeda GmbH and double payment by Takeda GmbH [the amount of double payment of INR 289 lakhs (previous year INR 271 lakhs) has been disclosed as Other payables under note 19 and the balance amount of INR 37 lakhs (previous year INR 35 lakhs) has been disclosed as Trade payables under note 18]). The Company is in a process of remitting the outstanding amount to Takeda GmbH for which it has applied to the Authorised Dealer bank. Since the amount is outstanding for more than three years the bank will approach RBI for obtaining approval to make the remittance.

## Zydus Takeda Healthcare Private Limited

### Notes to the Ind AS financial statements (Continued) for the year ended 31 March 2020

(Currency : Indian Rupees in lakhs)

#### 46 Subsequent Events:

The financial statements are authorised for issue by the Board of Directors of the Company at their meeting held on 28 May 2020.

The spread of COVID-19 from March 2020 is having an unprecedented impact on people and economy. We have been maintaining our operations through the crisis. This has not significantly impacted our operations and financial statements for the year ended March 31, 2020. The Company has evaluated the possible effects that may result from the pandemic relating to COVID-19 and concluded that there is no significant impact on carrying amounts of Inventories, trade receivables and tangible assets. The Company based on current estimates expects the carrying amount of these assets will be recovered, and we continue to monitor changes in future economic conditions. The eventual outcome of the impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements.

Further, there are no significant subsequent events that would require adjustments or disclosures in the financial statements as on the Balance sheet date.

- 47 The Company Secretary and Finance Head has resigned on 20 March 2020 and is serving notice period of three months. As per section 203(4) of the Companies Act 2013, the resulting vacancy shall be filled-up within a period of six months from the date of such vacancy.
- 48 Consequent to the issuance of "Guidance Note on Division II -Ind AS Schedule III to the Companies Act, 2013", certain items of financial statements have been regrouped/reclassified. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248 W/W-100022

For and on behalf of the Board of Directors of  
**Zydus Takeda Healthcare Private Limited**

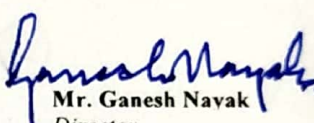
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**Rahul Choudhary**  
Partner  
Membership No. 408408

Jodhpur  
28 May 2020

**Mr. Ghanshyam Singh**  
Company Secretary  
Membership No: 26526

Navi Mumbai  
28 May 2020

  
**Mr. Ganesh Navak**  
Director  
DIN: 00017481

Ahmedabad  
28 May 2020

  
**Mr. Pankaj Patel**  
Director  
DIN: 00131852

Ahmedabad  
28 May 2020