

Report on Special Purpose Indian Accounting Standards (Ind AS) Financial Statements

Opinion

We have audited the accompanying special purpose financial statements of Sun Pharmaceuticals Germany GMBH (the "Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss, the Cash Flow Statement and the Statement of Changes in Equity for the year ended March 31, 2020 and a summary of the significant accounting policies and other explanatory information (together hereinafter referred to as "Special Purpose Ind AS Financial Statements"). These Special Purpose Ind AS Financial Statements have been prepared for the limited purpose of consolidation into the financial statements of the ultimate holding company, Sun Pharmaceutical Industries Limited, as at and for the year ended March 31, 2020.

In our opinion and to the best of our information and according to the explanations given to us, the Special Purpose Ind AS Financial Statements as at and for the year ended March 31, 2020 are prepared, in all material respects, in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 ('the Act') read together with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

Basis for Opinion

We conducted our audit of the Special Purpose Ind AS Financial Statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Ind AS Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Special Purpose Ind AS Financial Statements.

Management's Responsibility for the Special Purpose Ind AS Financial Statements

The Company's Board of Directors is responsible for the preparation of these Special Purpose Ind AS Financial Statements in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Act read together with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Special Purpose Ind AS Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Special Purpose Ind AS Financial Statements, Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Special Purpose Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Special Purpose Ind AS Financial Statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Special Purpose Ind AS Financial Statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

Other matters

This report on the Special Purpose Ind AS Financial Statements has been issued solely for the limited purpose of consolidation into the financial statements of the ultimate holding company, Sun Pharmaceutical Industries Limited and is intended solely for the information and use by the managements of the Company and the Ultimate Holding Company. It should not be used for any other purpose or provided to other parties.

For S R B C & CO LLP
ICAI Firm registration number: 324982E/E300003
Chartered Accountants

per Paul Alvares
Partner
Membership No.: 105754
UDIN: 20105754AAAACP4560
Place: Pune
Date: May 26, 2020

SUN PHARMACEUTICALS GERMANY GMBH
BALANCE SHEET AS AT MARCH 31, 2020

(Amount in EUR)

| Particulars | Notes | As at March 31, 2020 | As at March 31, 2019 |
|--|-------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 36,869 | 62,391 |
| Total non-current assets | | 36,869 | 62,391 |
| Current assets | | | |
| Inventories | 4 | 7,871,013 | 4,653,783 |
| Financial assets | | | |
| Trade receivables | 5 | 8,295,635 | 3,226,841 |
| Cash and cash equivalents | 6 | 3,803,904 | 4,414,559 |
| Other financial assets | 7 | 123,762 | 51,154 |
| Other current assets | 8 | 7,848 | 10,358 |
| Total current assets | | 20,102,162 | 12,356,695 |
| TOTAL ASSETS | | 20,139,031 | 12,419,086 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity share capital | 9 | 25,000 | 25,000 |
| Other equity | | (1,760,688) | (1,985,247) |
| Total equity | | (1,735,688) | (1,960,247) |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 10 | 2,250,000 | 2,600,000 |
| Deferred tax liability | 11 | 40,914 | 108,382 |
| Total non-current liabilities | | 2,290,914 | 2,708,382 |
| Current liabilities | | | |
| Financial liabilities | | | |
| Trade payables | 12 | 10,834,405 | 789,417 |
| Provisions | 13 | 7,005,732 | 10,848,601 |
| Liabilities on current tax | 14 | 147,856 | |
| Other current liabilities | 14 | 1,595,812 | 32,933 |
| Total current liabilities | | 19,583,805 | 11,670,951 |
| TOTAL EQUITY AND LIABILITIES | | 20,139,031 | 12,419,086 |
| Summary of significant accounting policies | 2 | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. 324982/E300003

**For and on behalf of the Board of Directors
of Sun Pharmaceuticals Germany GmbH**

per Paul Alvares
Partner
Membership No. 105754

Hellen de Kloet
Director

Place : Pune
Date : May, 26, 2020

Place: Hoofddorp, The Netherlands
Date : May, 26, 2020

SUN PHARMACEUTICALS GERMANY GMBH
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

(Amount in EUR)

| Particulars | Notes | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|-------|------------------------------|------------------------------|
| Revenue from operations | 15 | 27,326,639 | 10,893,973 |
| Other income | 16 | 58,661 | 281,964 |
| Total income | | 27,385,300 | 11,175,937 |
| Expenses | | | |
| Purchases of stock-in-trade | | 26,122,214 | 4,773,464 |
| Changes in inventories | 17 | (3,217,230) | 3,537,729 |
| Employee benefits expense | 18 | 101,681 | 520,914 |
| Finance costs | 19 | 44,590 | 46,836 |
| Depreciation expense | 3 | 27,670 | 31,057 |
| Other expenses | 20 | 3,972,550 | 1,360,178 |
| Total expenses | | 27,051,475 | 10,270,178 |
| Profit before tax | | 333,825 | 905,759 |
| Tax expenses | | | |
| Current tax | 22 | 176,736 | 183,294 |
| Deferred tax | 22 | (67,468) | 108,382 |
| Total tax expenses | | 109,268 | 291,676 |
| Profit for the year | | 224,557 | 614,083 |
| Total comprehensive profit for the year | | 224,557 | 614,083 |
| Earnings per equity share (face value per equity shares - ` 1) | | | |
| Basic and Diluted (in `) | 23 | 224,557 | 614,083 |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration No. 324982/E300003

For and on behalf of the Board of Directors

of Sun Pharmaceuticals Germany GmbH

per Paul Alvares

Partner

Membership No. 105754

Hellen de Kloet

Director

Place : Pune

Date : May 26, 2020

Place: Hoofddorp, The Netherlands

Date: May 26, 2020

SUN PHARMACEUTICALS GERMANY GMBH
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2020

(Amount in EUR)

| PARTICULARS | FOR THE YEAR | | FOR THE YEAR | |
|--|----------------------|------------------|----------------------|------------------|
| | ENDED March 31, 2020 | | ENDED March 31, 2019 | |
| A) Cash flow from operating activities | | | | |
| Profit before tax | 333,825 | | 905,759 | |
| Adjustments for: | | | | |
| Interest Expenses | 44,590 | | 46,836 | |
| Depreciation | 27,670 | | 31,057 | |
| Operating (Loss) / Profit before working capital change | 406,085 | | 983,652 | |
| Working capital adjustments | | | | |
| Decrease / (Increase) in trade receivables | (5,068,794) | | 2,496,070 | |
| Decrease / (Increase) in inventories | (3,217,230) | | 3,537,729 | |
| Decrease / (Increase) in other financial assets & other assets | (70,098) | | (24,724) | |
| (Decrease) / Increase - provisions | (3,842,869) | | (1,005,426) | |
| (Decrease) / Increase - trade payables | 10,044,988 | | (3,481,438) | |
| (Decrease) / Increase - other payables | 1,469,624 | | (386,060) | |
| Cash generated from operations | (278,294) | | 2,119,803 | |
| Income tax paid | 64,374 | | (69,054) | |
| Net cash flow from / (used in) operating activities | | (213,920) | | 2,050,749 |
| B) Cash flow from investing activities | | | | |
| Purchase of property plant & equipment | (2,145) | | - | |
| Net cash flows used in Investing activities | | (2,145) | | - |
| C) Cash flow from financing activities | | | | |
| Repayment of borrowings | (350,000) | | (400,000) | |
| Interest expenses | (44,590) | | (46,839) | |
| Net cash flows used in financing activities | | (394,590) | | (446,839) |
| Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C) | | (610,655) | | 1,603,910 |
| Cash & Cash Equivalents at Beginning of the year | | 4,414,559 | | 2,810,649 |
| Cash & Cash Equivalents at the End of the Year | | 3,803,904 | | 4,414,559 |
| Reconciliation of Cash and cash equivalents with the Balance Sheet: | | | | |
| Cash and cash equivalents as per Balance Sheet (Refer Note 5) | | 3,803,904 | | 4,414,559 |

Note : Cash and cash equivalents consist of the bank balance in current account.

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration No. 324982/E300003

per Paul Alvares

Partner

Membership No. 105754

Place : Pune

Date: May, 26, 2020

**For and on behalf of the board of Directors
of Sun Pharmaceuticals Germany GmbH**

Hellen de Kloet

Director

Place: Hoofddorp, The Netherlands

Date: May, 26, 2020

SUN PHARMACEUTICALS GERMANY GMBH
STATEMENT OF CHANGES OF EQUITY FOR THE YEAR ENDED MARCH 31, 2020

(Amount in EUR)

| Particulars | Equity share capital | Reserves & Surplus | Total |
|--|----------------------|--|-------------|
| | | Retained earnings (Surplus in profit and loss) | |
| Balance as at April 1, 2018 | 25,000 | (2,599,328) | (2,574,328) |
| Profit for the year | | 614,083 | 614,083 |
| Other comprehensive income for the year, net of income tax | | - | - |
| Total comprehensive income for the year | - | 614,083 | 614,083 |
| Balance as at March 31, 2019 | 25,000 | (1,985,245) | (1,960,245) |
| Profit for the year | | 224,557 | 224,557 |
| Balance as at March 31, 2020 | 25,000 | (1,760,688) | (1,735,688) |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S R B C & CO LLP

Chartered Accountants
ICAI Firm Registration No. 324982/E300003

per Paul Alvares

Partner
Membership No. 105754

Place : Pune

Date: May, 26, 2020

**For and on behalf of the Board of Directors
of Sun Pharmaceuticals Germany GmbH**

**Hellen de Kloet
Director**

Place: Hoofddorp, The Netherlands

Date: May, 26, 2020

SUN PHARMACEUTICALS GERMANY GMBH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

1. General information

Sun Pharmaceuticals Germany GmbH has its registered seat in Leverkusen and is registered in the Register of Companies of the Local Court in Köln (Reg. No. HRB 85786). The Company is in the business of trading of a wide range of branded and generic formulations and Active Pharmaceutical Ingredients (APIs).

Sun Pharmaceuticals Germany GmbH is a wholly owned subsidiary of Alkaloida Chemical Company ZRT, Tiszavasvári/Hungary, and is integrated in the consolidated financial statements of Sun Pharmaceutical Industries Limited, Mumbai/India.

2. Significant accounting policies

2.1 Statement of compliance

The Company has prepared its financial statements for the year ended March 31, 2020 in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) together with the comparative period data as at and for the year ended March 31, 2019.

2.2 a. Basis of preparation and presentation

The financial statements have been prepared on the historical cost basis, except for: (i) financial instruments that are measured at fair values at the end of each reporting period; , as explained in the accounting policies below

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements are present in Euros, unless otherwise indicated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for, leasing transactions that are within the scope of Ind AS 116, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

b. Current vs. Non-current

The Company presents assets and liabilities in the balance sheet based on current / non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or

SUN PHARMACEUTICALS GERMANY GMBH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

c. Foreign currency

The Company's financial statements are presented in Euros, which is its functional currency.

Transactions and balances

Initial recognition: Transactions in foreign currency are initially recorded at the functional currency spot rate of exchange at the date the transaction first qualifies for recognition.

Translation and exchange differences

In preparing the financial statements of Company, transactions in currencies other than the entity's functional currency (foreign currencies) are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous period are recognised in profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in foreign currency are measured using the exchange rates at the date of initial transaction.

d. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of property, plant and equipment and is recognised in profit or loss.

Depreciation is recognised on the cost of assets (other than Capital work-in-progress) less their residual values on straight-line method over their useful lives. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

SUN PHARMACEUTICALS GERMANY GMBH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

The estimated useful lives are as follows:

| Asset Category | No. of Years |
|------------------|--------------|
| Vehicles | 3-6 |
| Office equipment | 3-5 |

e. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the date the Company commits to purchase or sale the financial assets.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments at fair value through profit or loss (FVTPL)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Other Income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The contractual rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive contractual cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

SUN PHARMACEUTICALS GERMANY GMBH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables or any contractual right to receive cash or another financial asset. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost in subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest rate (EIR) method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item in the profit or loss.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

f. Inventories

Inventories consisting stock-in-trade are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost of Stock-in-trade includes cost of purchases and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

SUN PHARMACEUTICALS GERMANY GMBH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include expired items/ items with remaining short expiry life, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis

g. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits.

h. Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received from the contract.

Contingent liabilities and contingent assets

Contingent liability is disclosed for,

- (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company, or
- (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements.

i. Revenue

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is stated exclusive of value added tax and net of returns, chargebacks, rebates and other similar allowances.

Sale of goods

Revenue from sale of goods is recognised when the control of goods is transferred to the customer, usually on delivery of goods, it is probable that the economic benefit will flow to the Company, the associated costs and possible return of goods can be estimated reliably, there is neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold and the amount of revenue can be measured reliably.

SUN PHARMACEUTICALS GERMANY GMBH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Sales returns

The Company accounts for sales returns accrual by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Rebates and discounts

Provisions for rebates regarding discount agreements made with various health insurance providers are estimated and accrued basis external market data obtained for the relevant products included in the discount agreements. If and when such market data is not yet available, the estimate of the quantities sold is effected on the basis of the quantities sold to the pharmaceutical wholesalers and provided for in the year of sales and recorded as reduction from revenue.

Provision for cash discounts to customers and Medicaid rebate payments are estimated and recorded with the recognition of revenue at the time of a product sale.

j. Employee benefits

a) Short Term Employee Benefits

The distinction between short term and long term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, awards, ex-gratia, performance pay etc. and are recognized in the period in which the employee renders the related service.

b) Post-Employment Benefits

Defined contribution plans

The Company's contributions to defined contribution plans are recognised as an expense as and when the services are received from the employees entitling them to the contributions. The Company does not have any obligation other than the contribution made.

k. Borrowing costs

Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

l. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in OCI or directly in equity, in which case it is recognised in OCI or directly in equity respectively. Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is not recognised for the temporary differences that arise on the initial recognition of assets or liabilities in a transaction

SUN PHARMACEUTICALS GERMANY GMBH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

that is not a business combination and that affects neither accounting nor taxable profits and taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off corresponding current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the Company.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

m. Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period.

SUN PHARMACEUTICALS GERMANY GMBH
 NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

NOTE : 3

PROPERTY, PLANT AND EQUIPMENT

in Euro

| Particulars | Vehicles | Office equipment | Total |
|--|----------------|------------------|----------------|
| As at April 1, 2018 | 153,346 | 14,036 | 167,382 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Transfers | - | - | - |
| As at March 31, 2019 | 153,346 | 14,036 | 167,382 |
| Additions | 1,431 | 717 | 2,148 |
| Disposals | - | - | - |
| Transfers | - | - | - |
| As at March 31, 2020 | 154,777 | 14,753 | 169,530 |
| Accumulated depreciation and impairment | | | |
| As at April 1, 2018 | 61,474 | 12,460 | 73,934 |
| Depreciation expense | 30,226 | 831 | 31,057 |
| Disposals | - | - | - |
| As at March 31, 2019 | 91,700 | 13,291 | 104,991 |
| Depreciation expense | 26,864 | 806 | 27,670 |
| Disposals | - | - | - |
| As at March 31, 2020 | 118,564 | 14,097 | 132,661 |
| Net Block | | | |
| As at March 31, 2019 | 61,646 | 745 | 62,391 |
| As at March 31, 2020 | 36,213 | 656 | 36,869 |

SUN PHARMACEUTICALS GERMANY GMBH
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

NOTE : 4
INVENTORIES

| Particulars | in Euro | |
|--|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Lower of cost and net realisable value | | |
| Stock in trade (includes stock in transit March 31, 2020 - NIL (March 31, 2019: 687,789.80)) | 7,871,013 | 4,653,783 |
| | 7,871,013 | 4,653,783 |

NOTE : 5
TRADE RECEIVABLES

| Particulars | in Euro | |
|--|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Unsecured considered good | 7,847,632 | 2,653,791 |
| Unsecured considered good - from related parties | 448,003 | 573,050 |
| Doubtful | - | - |
| | 8,295,635 | 3,226,841 |

NOTE : 6
CASH AND CASH EQUIVALENTS

| Particulars | in Euro | |
|---------------------|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Balances with banks | | |
| In current accounts | 3,803,904 | 4,414,559 |
| | 3,803,904 | 4,414,559 |

NOTE : 7
OTHER FINANCIAL ASSET

| Particulars | in Euro | |
|--|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Unsecured considered good unless stated otherwise | | |
| Amortised cost | | |
| Other assets | 123,762 | 51,154 |
| | 123,762 | 51,154 |

NOTE : 8
OTHER CURRENT ASSETS

| Particulars | in Euro | |
|--|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Unsecured considered good unless stated otherwise | | |
| Prepaid expenses | 7,848 | 9,158 |
| Advances to employee | - | 1,200 |
| | 7,848 | 10,358 |

NOTE : 9
EQUITY SHARE CAPITAL

| Particulars | As at March 31, 2020 | | As at March 31, 2019 | |
|---|-------------------------|---------------|-------------------------|---------------|
| | No. of shares | in Euro | No. of shares | in Euro |
| Authorised | | | | |
| Equity shares of Euro 25,000 each | 1 | 25,000 | 1 | 25,000 |
| | 1 | 25,000 | 1 | 25,000 |
| Issued, subscribed and fully paid up | | | | |
| Equity shares of Euro 25,000 each | 1 | 25,000 | 1 | 25,000 |
| | 1 | 25,000 | 1 | 25,000 |

a) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of EUR 25,000 per share.

b) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

| Particulars | As at March 31, 2020 | | As at March 31, 2019 | |
|--|-------------------------|---------|-------------------------|---------|
| | No. of shares | in Euro | No. of shares | in Euro |
| Reconciliation of fully paid equity shares | | | | |
| Opening and closing balance at the end of the year | 1 | 25,000 | 1 | 25,000 |

c) Details of shareholders holding more than 5% In the Company

| Particulars | As at March 31, 2020 | | As at March 31, 2019 | |
|--------------------------------|-------------------------|--------------|-------------------------|--------------|
| | No. of shares | % of holding | No. of shares | % of holding |
| Equity shares | | | | |
| Alkaloida Chemical Company ZRT | 1 | 100.00 | 1 | 100.00 |

SUN PHARMACEUTICALS GERMANY GMBH
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

NOTE : 10
BORROWINGS

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Loan from related party (unsecured) (refer note below) | 2,250,000 | 2,600,000 |
| | 2,250,000 | 2,600,000 |

(f) Details of terms of repayment for the long-term borrowings :

| Particulars | Terms of repayment | As at | As at |
|---|--------------------|----------------|----------------|
| | | March 31, 2020 | March 31, 2019 |
| Unsecured Loan from related parties: | | | |
| Alkaloida Chemical Co. ZRT | 5 years | 2,250,000 | 2,600,000 |

The above borrowing carried an interest rate of 1.89% p.a.

NOTE : 11
Deferred tax liability

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Deferred tax liability on provision for inventory | 40,914 | 108,382 |
| | 40,914 | 108,382 |

NOTE : 12
TRADE PAYABLES

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|-----------------------------------|-------------------------|-------------------------|
| Trade payables to related parties | 10,066,388 | 483,275 |
| Others | 768,017 | 306,141 |
| | 10,834,405 | 789,417 |

NOTE : 13
SHORT TERM PROVISIONS

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--------------------------------------|-------------------------|-------------------------|
| Provision for Product returns | 97,000 | 43,000 |
| Provision for Rebates | 6,617,024 | 10,524,548 |
| Others | 3,100 | 85,700 |
| Corporate Tax and Income Tax Payable | 288,608 | 195,353 |
| | 7,005,732 | 10,848,601 |

NOTE : 14
OTHER CURRENT LIABILITIES

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---------------------------------|-------------------------|-------------------------|
| Advance received from customers | 244,000 | - |
| Statutory remittances | 1,499,669 | 32,933 |
| | 1,743,669 | 32,933 |

NOTE : 15
REVENUE FROM OPERATIONS

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---------------------------------------|------------------------------|------------------------------|
| Revenue from contracts with customers | 27,326,639 | 10,893,973 |
| Total | 27,326,639 | 10,893,973 |

Disclosure on IND AS - 115 Revenue from contracts with customers

15.1 Disaggregated revenue Information:

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Timing of revenue recognition | | |
| Goods transferred at a point in time | 27,326,639 | 10,893,973 |
| Total revenue from contracts with customers | 27,326,639 | 10,893,973 |

15.2 Contract balances:

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Trade receivables | 8,051,635 | 3,226,841 |
| Contract assets | 244,000 | - |
| Contract liabilities | - | - |
| Total revenue from contracts with customers | 8,295,635 | 3,226,841 |

15.3 Right of return assets and refund liabilities:

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Rebate | 3,960,653 | 11,886,248 |
| Sales Return | 754,714 | 387,405 |
| Total revenue from contracts with customers | 4,715,367 | 12,273,653 |

15.4 Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price:

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Revenue as per contracted price | 32,194,658 | 23,414,869 |
| Adjustments for: | | |
| Rebate | (3,960,653) | (11,886,248) |
| Sales return | (754,714) | (387,405) |
| Cash discount | (152,652) | (247,243) |
| Total revenue from contracts with customers | 27,326,639 | 10,893,973 |

SUN PHARMACEUTICALS GERMANY GMBH
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

NOTE - 16
OTHER INCOME

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|------------------------------|------------------------------|------------------------------|
| VAT refund for earlier years | - | 167,370 |
| Other income | 58,661 | 114,593 |
| Total | 58,661 | 281,964 |

NOTE - 17
CHANGES IN INVENTORIES

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Inventories at the beginning of the year | 4,653,783 | 8,191,512 |
| Inventories at the end of the year | (7,871,013) | (4,653,783) |
| | (3,217,230) | 3,537,729 |

NOTE - 18
EMPLOYEE BENEFITS EXPENSE

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Salaries and wages | 92,289 | 465,991 |
| Contribution to social security and other funds | 9,392 | 54,923 |
| | 101,681 | 520,914 |

NOTE - 19
FINANCE COSTS

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Interest expense on borrowing and others | 44,590 | 46,836 |
| | 44,590 | 46,836 |

NOTE - 20
OTHER EXPENSES

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Rates and taxes | 1,912 | 40,733 |
| Insurance | 71,101 | 43,815 |
| Selling and distribution | 803,551 | 160,142 |
| Repairs and Maintenance- Others | 13,091 | 9,334 |
| Printing and stationery | 7,307 | 7,934 |
| Travelling and conveyance | 5,016 | 39,431 |
| Communication | 1,943 | 3,696 |
| Professional, legal and consultancy | 174,262 | 41,142 |
| Payments to auditors (net of input credit, where applicable) | - | - |
| As audit fees | 31,114 | 7,000 |
| For other services | - | - |
| Reimbursement of expenses | 267 | - |
| Management fees (refer note no 24) | 2,724,147 | 977,103 |
| Exchange loss on foreign currency transactions | 83,947 | - |
| Miscellaneous expenses | 54,892 | 29,848 |
| | 3,972,550 | 1,360,178 |

NOTE - 21
TAX RECONCILIATION

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Reconciliation of current tax expense | | |
| Profit before tax | 333,825 | 906,759 |
| Enacted income tax rate (%) | 33% | 32% |
| Current Tax expense | 176,736 | 183,294 |
| Effect of income that is exempt from taxation | - | - |
| Effect of deferred tax on provision for inventory | (67,468) | 108,382 |
| | 109,268 | 291,676 |
| Income tax expense recognised in profit and loss (including deferred tax) | 109,268 | 291,676 |

SUN PHARMACEUTICALS GERMANY GMBH
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 22 - Earning per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Company (after adjusting for interest preference shares) by the weighted average number of equity shares outstanding during the year plus the weighted average number that would be issued on conversion of all the dilutive potential equity shares into equity shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

(Amount in EUR)

| Particulars | | March 31, 2020 | March 31, 2019 |
|---|-------|----------------|----------------|
| Numerator for basic and diluted EPS | | | |
| Net profit after tax attributable to shareholders (in Euros) | (A) | 224,557 | 614,083 |
| Denominator for basic EPS | | | |
| Weighted average number of equity shares for basic EPS | (B) | 1 | 1 |
| Denominator for diluted EPS | | | |
| Weighted average number of equity shares in calculating basic EPS | (C) | 1 | 1 |
| Basic earnings per share of face value of EUR 25,000 each (in EUR) | | | |
| | (A/B) | 224,557 | 614,083 |
| Diluted earnings per share of face value of EUR 25,000 each (in EUR) | | | |
| | (A/C) | 224,557 | 614,083 |

SUN PHARMACEUTICALS GERMANY GMBH
 NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 23 - Related Party Disclosures

Details of related parties:

| Description of relationship | Names of related parties |
|--|---|
| <u>I. Where control exists:</u> Ultimate Holding Company Holding Company | Sun Pharmaceutical Industries Limited Alkaloida Chemical Co. ZRT |
| <u>II. Other Related parties with whom transactions during the period</u> Fellow Subsidiaries & Associates | Basics GmbH Terapia S.A. Sun Pharmaceutical Industries (Europe) B.V. Sun Pharma Global FZE Ranbaxy (UK) Ltd. Sun Pharmaceutical Medicare Limited Taro Pharmaceutical Limited Laboratories Ranbaxy S.L. |
| <u>III. Non executive directors</u> Director Director | Hellen de Kloet Harin Mehta |
| Note: Related parties have been identified by the Management. | |

Details of related party transactions during the year ended March 31, 2020 and balances outstanding as at March 31, 2020:

(Amount in EUR)

| Name of the Party | Ultimate Holding Company | Holding Company | Fellow Subsidiaries & Associates |
|---|---------------------------|--------------------|----------------------------------|
| Purchases | | | |
| Sun Pharmaceutical Industries Limited | 18,068,563 (6,417,943) | - - | - - |
| Basics GmbH | - - | - - | - (3,093,608) |
| Terapia S.A. | - | - | 137,855 (64,584) |
| Sun Pharmaceutical Industries (Europe) B.V. | - | - | 3,132,294 (633,348) |
| Alkaloida Chemical Co. ZRT | - | - | 42,319 |
| Ranbaxy (UK) Ltd. | - | - | 411 |
| Sun Pharma Global FZE | - | - | 3,132,200 |
| Sun Pharmaceutical Medicare Limited | - | - | 9,792 |
| Taro Pharmaceutical Industries Limited | - | - | 721,776 |
| Sales | | | |
| Sun Pharmaceutical Industries (Europe) B.V. | - | - | 51,750 |
| Laboratorios Ranbaxy S.L. | - | - | 104,960 |
| Interest Expenses | | | |
| Alkaloida Chemical Co. ZRT | - - | 44,171 (46,836) | - - |

SUN PHARMACEUTICALS GERMANY GMBH
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

| | | | |
|---|-----------|-------------|-----------|
| Management Fees | | | |
| Sun Pharmaceutical Industries (Europe) B.V. | - | - | 664,045 |
| | - | - | (306,519) |
| Basics GmbH | - | - | 2,060,102 |
| | - | - | (670,584) |
| Conversion and other manufacturing charges | | | |
| Sun Pharma Global FZE | - | - | 271,492 |
| | - | - | - |
| Advance for supply of goods and services | | | |
| Sun Pharma Global FZE | - | - | - |
| | - | - | - |
| Loans repaid during the year | | | |
| Alkaloida Chemical Co. ZRT | - | 350,000 | - |
| | - | (400,000) | - |
| Balances outstanding at the end of the year: | | | |
| Trade receivables | | | |
| Sun Pharmaceutical Industries Limited | 399,489 | - | - |
| | (470,819) | - | - |
| Sun Pharma Global FZE | - | - | 19,956 |
| | | | (102,231) |
| Sun Pharmaceutical Industries (Europe) B.V. | | | 28,558 |
| Trade payables | | | |
| Basics GmbH | - | - | 476,681 |
| | - | - | (420,606) |
| Sun Pharmaceutical Industries (Europe) B.V. | - | - | 6,781 |
| | - | - | (58,754) |
| Sun Pharma Global FZE | - | - | 325,800 |
| Sun Pharmaceutical Industries Limited | 9,149,864 | - | - |
| Ranbaxy (UK) Ltd. | - | - | 411 |
| Terapia S.A. | - | - | 18,216 |
| Taro Pharmaceutical Industries Ltd. | - | - | 78,843 |
| Sun Pharamceutical Medicare Limited | - | - | 9,792 |
| Unsecured loan taken | | | |
| Alkaloida Chemical Co. ZRT | - | 2,250,000 | - |
| | | (2,600,000) | - |
| Interest payable | | | |
| Alkaloida Chemical Co. ZRT | | (3,915) | |

Note : Figures in brackets and italics pertain to the previous year.

SUN PHARMACEUTICALS GERMANY GMBH
 NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 24 - Financial Instruments by Category

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial instruments as of March 31, 2020:

(In Euros)

| Particulars | Amortised Cost | Financial assets/liabilities at fair value through profit and loss | Financial assets/liabilities at fair value through OCI | Total carrying value | Total fair value |
|------------------------------|-------------------|--|--|----------------------|-------------------|
| Financial assets | | | | | |
| Other financial assets | 123,762 | - | - | 123,762 | 123,762 |
| Trade and other receivables | 8,295,635 | - | - | 8,295,635 | 8,295,635 |
| Cash and cash equivalent | 3,803,904 | - | - | 3,803,904 | 3,803,904 |
| Total | 12,223,301 | - | - | 12,223,301 | 12,223,301 |
| Financial liabilities | | | | | |
| Borrowings | 2,250,000 | - | - | 2,250,000 | 2,250,000 |
| Trade and other payables | 10,834,405 | - | - | 10,834,405 | 10,834,405 |
| Total | 13,084,405 | - | - | 13,084,405 | 13,084,405 |

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial instruments as of March 31, 2019:

(In Euros)

| Particulars | Amortised Cost | Financial assets/liabilities at fair value through profit and loss | Financial assets/liabilities at fair value through OCI | Total carrying value | Total fair value |
|------------------------------|------------------|--|--|----------------------|------------------|
| Financial assets | | | | | |
| Other financial assets | 51,154 | - | - | 51,154 | 51,154 |
| Trade and other receivables | 3,226,841 | - | - | 3,226,841 | 3,226,841 |
| Cash and cash equivalent | 4,414,559 | - | - | 4,414,559 | 4,414,559 |
| Total | 7,692,554 | - | - | 7,692,554 | 7,692,554 |
| Financial liabilities | | | | | |
| Borrowings | 2,600,000 | - | - | 2,600,000 | 2,600,000 |
| Trade and other payables | 789,417 | - | - | 789,417 | 789,417 |
| Total | 3,389,417 | - | - | 3,389,417 | 3,389,417 |

Note 25 - Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise trade payables and borrowings. The main purpose of these financial liabilities is to finance and support the Company's operations. The Company's principal financial assets includes trade receivables and cash and cash equivalents that derive directly from its operations.

The Company has exposure to the following risks arising from financial instruments: The Board of Directors reviews and agrees policies for managing each of these risks,

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily trade receivables and from its financing activities, including other financial instruments.

Trade receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. On account of adoption of IND AS-109, the Company uses expected credit loss model to assess the impairment loss if any.

Cash and cash equivalents

The Company holds cash and cash equivalents of EUR 3.80 million at March 31, 2020 (March 31, 2019 : EUR 4.41 million). The cash and cash equivalents are held with bank and financial institution counterparties with high credit ratings assigned by international and domestic credit rating agencies.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted:

| March 31, 2020 | | | | | In Million EUR |
|-----------------------|------------------------|-----------------------|------------------|--------------------------|----------------|
| Particulars | Carrying amount | upto 12 months | 1-5 years | More than 5 years | |
| Borrowings | 2.25 | - | 2.25 | - | |
| Trade payables | 10.83 | 10.83 | - | - | |
| March 31, 2019 | | | | | In Million EUR |
| Particulars | Carrying amount | upto 12 months | 1-5 years | More than 5 years | |
| Borrowings | 2.60 | - | 2.60 | - | |
| Trade payables | 0.79 | 0.79 | - | - | |

SUN PHARMACEUTICALS GERMANY GMBH
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

(iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, deposits, trade and other receivables, trade and other payables and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at March 31, 2020 and March 31, 2019.

The following assumption has been made in calculating the sensitivity analyses:

The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2020 and March 31, 2019.

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's exposure to the risk of changes in the market interest rates primarily relate to the Company's long term debt obligations with the floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected.

| Particulars | Increase / decrease in basis points | Effect on profit before tax |
|----------------|---|--------------------------------|
| March 31, 2020 | | |
| EUR | +50 | -0.01125 |
| | -50 | 0.01125 |
| March 31, 2019 | | |
| EUR | +50 | -0.013 |
| | -50 | 0.013 |

Note 26 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the Company's control. Such changes are reflected in the assumptions when they occur.

Provision for rebates and discounts (refer note no 2.2j in accounting policies)

Note 27 Previous year numbers are regrouped and reclassified wherever necessary, to confirm to this year's classification.

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No. 324982/E300003

**For and on behalf of the Board of Directors
of Sun Pharmaceuticals Germany GmbH**

per Paul Alvares
Partner
Membership No. 105754

Hellen de Kloet
Director

Place : Pune
Date : May 26, 2020

Place: Hoofddorp, The Netherlands
Date : May 26, 2020