

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Sun Pharma Distributors Limited

### **Report on the Audit of the Ind AS Financial Statements**

#### **Opinion**

We have audited the accompanying Ind AS financial statements of Sun Pharma Distributors Limited (the "Company"), which comprise the Balance sheet as at March 31, 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended (the "Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### **Basis for Opinion**

We conducted our audit of the 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 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 Ind AS financial statements.

#### **Other Information**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board report, but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibility of Management for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management 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 are also responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- 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.

- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 (the "Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
  - (e) On the basis of written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
  - (g) No managerial remuneration has been paid by the Company;
  - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company does not have any pending litigations which would impact its financial position;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

Sun Pharma Distributors Limited  
Audit Report for the year ended March 31, 2021  
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- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 324982E/E300003

**per Nishant Mankodi**  
Partner  
Membership Number: 107515  
UDIN: 21107515AAAAAZ6576  
Place of Signature: Mumbai  
Date: 26 May 2021

**Annexure 1 referred to in paragraph 1 under the heading “Report on other legal and Regulatory Requirement” of our report of even date**

Re: Sun Pharma Distributors Limited (the “Company”)

- (i) The Company does not have any fixed assets. Accordingly, the provisions of clause 3(i) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (ii) The inventory has been physically verified by management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. There are no inventories lying with third parties.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable to the Company and hence not commented upon.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees’ state insurance, income-tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.  
  
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees’ state insurance, income-tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.  
  
(c) According to the information and explanations given to us, there are no dues of income tax, goods and service tax and cess which have not been deposited on account of any dispute.
- (viii) The Company did not have any outstanding loans or borrowings due in respect of a financial institution or bank or to Government or dues to debenture holders during the year.
- (ix) According to the information and explanations given by management, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

- (xi) According to the information and explanations given by management, no managerial remuneration has been paid by the Company during the year. Therefore, the provisions of clause 3(xi) of the Order are not applicable to the Company and hence not commented upon.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by management and audit procedures performed by us, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of sec 177 are not applicable to the Company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

**For S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 324982E/E300003

**per Nishant Mankodi**  
Partner  
Membership Number: 107515  
UDIN: 21107515AAAAAZ6576  
Place of Signature: Mumbai  
Date: 26 May 2021

**Annexure 2 to the Independent Auditor's Report Of Even Date On The Ind AS Financial Statements Of Sun Pharma Distributors Limited**

**Report on the Internal Financial Controls under Clause (f) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")**

We have audited the internal financial controls over financial reporting of Sun Pharma Distributors Limited (the "Company") as of March 31, 2021 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Ind AS financial statements.

**Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Ind AS Financial Statements**

A company's internal financial control over financial reporting with reference to these Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection

of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Ind AS Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these Ind AS financial statements and such internal financial controls over financial reporting with reference to these Ind AS financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & C O L L P**  
Chartered Accountants  
ICAI Firm Registration Number: 324982E/E300003

**per Nishant Mankodi**  
Partner  
Membership Number: 107515  
UDIN: 21107515AAAAAZ6576  
Place of Signature: Mumbai  
Date: 26 May 2021



**SUN PHARMA DISTRIBUTORS LIMITED**  
**BALANCE SHEET AS AT MARCH 31, 2021**

₹ in Million

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	3 (a) & (b)	38.3	21.8
(b) Intangible assets	4	0.1	-
(c) Financial assets			
(i) Investments	5	400.0	-
(d) Deferred tax assets (Net)	38	14.4	8.5
<b>Total non-current assets</b>		<b>452.8</b>	<b>30.3</b>
<b>(2) Current assets</b>			
(a) Inventories	6	12,093.8	14,761.0
(b) Financial assets			
(i) Trade receivables	7	5,147.8	4,422.6
(ii) Cash and cash equivalents	8	487.1	1,086.2
(iii) Loans	9	0.3	-
(iv) Other financial assets	10	4.6	4.0
(c) Other current assets	11	2,288.5	2,626.3
<b>Total current assets</b>		<b>20,022.1</b>	<b>22,900.1</b>
<b>TOTAL ASSETS</b>		<b>20,474.9</b>	<b>22,930.4</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity share capital	12	1.5	1.5
(b) Other equity	13	1,998.6	673.3
<b>Total equity</b>		<b>2,000.1</b>	<b>674.8</b>
<b>Liabilities</b>			
<b>(1) Non-current liabilities</b>			
(a) Financial liabilities			
(i) Lease liabilities	35	30.1	14.3
(b) Provisions	14	1.2	4.9
<b>Total non-current liabilities</b>		<b>31.3</b>	<b>19.2</b>
<b>(2) Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	15	0.3	10.8
(ii) Trade payables			
(a) total outstanding dues of micro and small enterprises (Refer Note 31)		8.4	2.0
(b) total outstanding dues of creditors other than micro and small enterprises (Refer Note 36)		17,824.5	21,458.3
(iii) Lease liabilities	35	9.5	7.8
(iv) Other financial liabilities	16	44.4	44.0
(b) Liabilities for current tax (net)	17	7.5	88.6
(c) Other current liabilities	18	79.6	127.2
(d) Provisions	19	469.3	497.7
<b>Total current liabilities</b>		<b>18,443.5</b>	<b>22,236.4</b>
<b>Total liabilities</b>		<b>18,474.8</b>	<b>22,255.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,474.9</b>	<b>22,930.4</b>

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: 324982E/ E300003

For and on behalf of the Board of Directors of  
**SUN PHARMA DISTRIBUTORS LIMITED**

per **NISHANT MANKODI**  
Partner  
Membership No. : 107515  
Date : May 26, 2021

**SAILESH T. DESAI**  
Director  
DIN No. : 00005443  
Date : May 26, 2021

**RAKESHCHANDRA J. SINHA**  
Director  
DIN No. : 07340998  
Date : May 26, 2021

**SUN PHARMA DISTRIBUTORS LIMITED** ₹ in Million  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021**

Particulars	Notes	Year ended March 31, 2021	Year ended March 31, 2020
(I) Revenue from operations	20	104,039.3	81,369.9
(II) Other income	21	172.5	12.5
<b>(III) Total income (I + II)</b>		<b>104,211.8</b>	<b>81,382.4</b>
<b>(IV) EXPENSES</b>			
Purchase of stock-in-trade		97,977.3	93,806.4
Changes in inventories of stock-in-trade	22	2,667.2	(14,761.0)
Employee benefits expense	23	18.9	15.0
Finance costs	24	5.0	272.8
Depreciation and amortisation expense	3 & 4	11.8	6.1
Other expenses	25	1,764.1	1,139.5
<b>Total expenses (IV)</b>		<b>102,444.3</b>	<b>80,478.8</b>
<b>(V) PROFIT BEFORE TAX (III-IV)</b>		<b>1,767.5</b>	<b>903.6</b>
<b>(VI) TAX EXPENSE / (CREDIT)</b>			
Current tax		448.3	237.4
Deferred tax		(5.9)	(8.2)
<b>Total tax expense (VI)</b>	26	<b>442.4</b>	<b>229.2</b>
<b>(VII) PROFIT FOR THE YEAR (V - VI)</b>		<b>1,325.1</b>	<b>674.4</b>
<b>(VIII) OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to the statement of profit and loss</b>			
Gain / (loss) on remeasurement of defined benefit plans		0.2	(1.3)
Income tax on above (₹ 43,914/-)		(0.0)	0.3
<b>Total other comprehensive income (VIII)</b>		<b>0.2</b>	<b>(1.0)</b>
<b>(IX) TOTAL COMPREHENSIVE INCOME FOR THE YEAR (VII+VIII)</b>		<b>1,325.3</b>	<b>673.4</b>
<b>Earnings per equity share (face value per equity share - ₹ 10)</b>	33	<b>8,834.0</b>	<b>4,496.0</b>

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: 324982E/ E300003

For and on behalf of the Board of Directors of  
**SUN PHARMA DISTRIBUTORS LIMITED**

per **NISHANT MANKODI**  
Partner  
Membership No. : 107515  
Date : May 26, 2021

**SAILESH T. DESAI**  
Director  
DIN No. : 00005443  
Date : May 26, 2021

**RAKESHCHANDRA J. SINHA**  
Director  
DIN No. : 07340998  
Date : May 26, 2021

## SUN PHARMA DISTRIBUTORS LIMITED

₹ in Million

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021

Particulars	Equity share capital	Retained earnings	Total Equity
<b>Balance as at March 31, 2019</b>	<b>1.5</b>	<b>(0.1)</b>	<b>1.4</b>
Profit for the year	-	674.4	674.4
Other comprehensive income for the year	-	**(1.0)	(1.0)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>673.4</b>	<b>673.4</b>
<b>Balance as at March 31, 2020</b>	<b>1.5</b>	<b>673.3</b>	<b>674.8</b>
Profit for the year	-	1,325.1	1,325.1
Other comprehensive income for the year	-	**0.2	0.2
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,325.3</b>	<b>1,325.3</b>
<b>Balance as at March 31, 2021</b>	<b>1.5</b>	<b>1,998.6</b>	<b>2,000.1</b>

\*\* Represents remeasurements of the defined benefit plans

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: 324982E/ E300003

For and on behalf of the Board of Directors of

**SUN PHARMA DISTRIBUTORS LIMITED**

**per NISHANT MANKODI**

Partner

Membership No. : 107515

Date : May 26, 2021

**SAILESH T. DESAI**

Director

DIN No. : 00005443

Date : May 26, 2021

**RAKESHCHANDRA J. SINHA**

Director

DIN No. : 07340998

Date : May 26, 2021

**SUN PHARMA DISTRIBUTORS LIMITED** ₹ in Million  
**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021**

Particulars	Year ended	Year ended
	March 31, 2021	March 31, 2020
	Audited	Audited
<b>A. Cash flow from operating activities</b>		
Profit before tax	1,767.5	903.6
Adjustments for :		
Depreciation and amortisation expense	11.8	6.1
Finance costs	5.0	272.8
Interest income	(155.8)	(12.5)
Provision for doubtful trade receivables	23.9	27.7
Sundry balances written back, net	(16.7)	-
<b>Operating profit before working capital changes</b>	<b>1,635.7</b>	<b>1,197.7</b>
<b>Movements in working capital:</b>		
(Increase) / decrease in inventories	2,667.2	(14,761.0)
(Increase) / decrease in trade receivables	(749.0)	(4,450.3)
(Increase) / decrease in other assets	336.9	(2,630.5)
Increase / (decrease) in trade payables	(3,627.4)	21,460.2
Increase / (decrease) in provisions	(32.1)	501.4
Increase / (decrease) in other liabilities	(30.5)	171.2
<b>Cash generated from operations</b>	<b>200.8</b>	<b>1,488.7</b>
Income tax paid (net of refund)	(529.4)	(156.0)
<b>Net cash generated from / (used in) operating activities (A)</b>	<b>(328.6)</b>	<b>1,332.7</b>
<b>B. Cash flow from investing activities</b>		
Payment for purchase of property, plant and equipment (including capital work-in-progress, intangible assets and intangible assets under development)	(0.1)	-
Investment in LLP	(400.0)	-
Interest received	155.8	12.5
<b>Net cash (used in) / from investing activities (B)</b>	<b>(244.3)</b>	<b>12.5</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from borrowings (ultimate holding / holding company)	178.0	640.1
Proceeds from borrowings (others)	(0.1)	0.4
Repayment of borrowings (ultimate holding / holding company) @	(201.7)	(637.0)
Finance costs	(2.4)	(264.0)
<b>Net cash used in financing activities (C)</b>	<b>(26.2)</b>	<b>(260.5)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(599.1)</b>	<b>1,084.7</b>
Cash and cash equivalents at the beginning of the year	1,086.2	1.5
<b>Cash and cash equivalents at the end of the year</b>	<b>487.1</b>	<b>1,086.2</b>
@ Includes payment of lease obligation		
<b>Notes:</b>		
<b>Cash and cash equivalents comprises of</b>	<b>As at</b>	<b>As at</b>
Balances with banks in current account	March 31, 2021	March 31, 2020
Cash on hand (March 2021 ₹ 6,061/- March 2020 ₹ 6,798/-)	487.1	1,086.2
<b>Cash and cash equivalents in cash flow statement</b>	<b>0.0</b>	<b>0.0</b>
	<b>487.1</b>	<b>1,086.2</b>

**Changes in financial Liabilities arising from financing activities**

Particulars	As at March 31, 2020	Cash Flows	Non-cash changes			As at March 31, 2021
			Acquisition / Foreign Exchange Movement	Fair Value Changes	Others	
<b>Current liabilities</b>						
Borrowings	10.8	(10.5)	-	-	-	0.3

For movement of lease liabilities, refer Note 35

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: 324982E/ E300003

For and on behalf of the Board of Directors of  
**SUN PHARMA DISTRIBUTORS LIMITED**

per **NISHANT MANKODI**  
Partner  
Membership No. : 107515  
Date : May 26, 2021

**SAILESH T. DESAI**  
Director  
DIN No. : 00005443  
Date : May 26, 2021

**RAKESHCHANDRA J. SINHA**  
Director  
DIN No. : 07340998  
Date : May 26, 2021

# SUN PHARMA DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

### 1. General information

Sun Pharma Distributors Limited (“the Company”) is a company limited by shares incorporated and domiciled in India, having its registered office at Sun House, Plot No. 201 B/1, Western Express Highway, Goregaon (E) Mumbai 400063. The Company is incorporated under Companies Act, 2013 with object to buy, sell, and to act as dealers, agents, distributors in Pharmaceutical products.

The financial statements were authorised for issue in accordance with a resolution of the directors on May 26, 2021

### 2. Significant accounting policies

#### 2.1 Statement of compliance

The Company has prepared financial statements for the year ended March 31, 2021 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, 2020.

#### 2.2 Basis of preparation and presentation

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

- (i) certain financial instruments that are measured at fair values at the end of each reporting period;
- (ii) defined benefit plans – plan assets 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 presented in ₹ and all values are rounded to the nearest Million (₹ 000,000) upto one decimal, except when 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 share-based payment transactions that are within the scope of Ind AS 102, 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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

**SUN PHARMA DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

***a. 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
- 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.

***b. Segment Reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of the Company is responsible for allocating resources and assessing performance of the operating segments.

***c. Property, plant and equipment***

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

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 less their residual values on straight-line method over their useful lives as indicated in Part C of Schedule II of the Companies Act, 2013. 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.

The estimated useful lives are as follows:

Asset Category	No. of year
Plant and equipment	15

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalised as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognised as expense as incurred. The capitalised costs are amortised over the lower of the estimated useful life of the software and the remaining useful life of the tangible fixed asset.

**SUN PHARMA DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

***d. Intangible assets***

Intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

Amortisation is recognised on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets that are not available for use are amortised from the date they are available for use.

The estimated useful life for other intangible assets is 6 years.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

*De-recognition of intangible assets*

Intangible assets are de-recognised either on their disposal or where no future economic benefits are expected from their use. Gain or loss arising on such de-recognition is recognised in profit or loss, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

***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 as debt instruments at amortised cost

*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.

## **SUN PHARMA DISTRIBUTORS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

#### *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.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

#### *Impairment of financial assets*

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 and equity instruments**

#### *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 including bank overdrafts, financial guarantee contracts and derivative financial instruments

#### *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)



**SUN PHARMA DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

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.

*Dividend distribution to equity holders of the Company*

The Company recognises a liability to make dividend distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**f. Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i) Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Building 2-25 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (d) Impairment of non-financial assets.

*ii) Lease Liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value

## **SUN PHARMA DISTRIBUTORS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *iii) Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### **g. Inventories**

Inventories consisting of stock-in-trade, are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method.

Costs of stock-in-trade includes, cost of purchases and other costs incurred in bringing the inventories to its 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.

The factors that the Company considers in determining the allowance for obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, 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

#### **h. Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash as defined above, as they are considered an integral part of the Company's cash management.

#### **i. 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

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.

**SUN PHARMA DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

*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. A contingent asset is disclosed where an inflow of economic benefits is probable. 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.

***j. Revenue***

*Sale of goods*

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. For each contract with customer, the Company: identifies the contract with the customer; identifies the performance obligation in the contract; determines the transaction price and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Revenue is stated net of goods and service tax and net of returns, rebates and other similar allowances.

*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.

*Contract balances*

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Trade receivables*

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability

**SUN PHARMA DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs the contract obligation.

***k. Interest income***

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

***l. Employee benefits***

*Defined benefit plans*

The Company operates a defined benefit gratuity plan which requires contribution to be made to a separately administered fund.

The liability in respect of defined benefit plans is calculated using the projected unit credit method with actuarial valuations being carried out at the end of each annual reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations. The current service cost of the defined benefit plan, recognised in the profit or loss as employee benefits expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognised in profit or loss in the period of a plan amendment. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise and is reflected immediately in retained earnings and is not reclassified to profit or loss.

*Termination benefits*

Termination benefits are recognised as an expense in the statement of profit and loss when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense in the statement of profit and loss if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

*Short-term and other long-term employee benefits*

Accumulated leave, which is expected to be utilised within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The Company's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value.

**SUN PHARMA DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

*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.

**m. 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.

**n. 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 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.

The Company recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.

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.

Minimum Alternate Tax ('MAT') credit is recognised as deferred tax 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. 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.

Accruals for uncertain tax positions require management to make judgments of potential exposures. Accruals for uncertain tax positions are measured using either the most likely amount or the expected value amount depending on which method the entity expects to better predict the resolution of the uncertainty. Tax benefits are not recognised unless the management based upon its interpretation of applicable laws and regulations and the expectation of how the tax authority will resolve the matter concludes that such benefits will be accepted by the authorities. Once considered probable of not being

**SUN PHARMA DISTRIBUTORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

accepted, management reviews each material tax benefit and reflects the effect of the uncertainty in determining the related taxable amounts.

***o. Earnings per share***

The Company presents earnings per share ("EPS") data for its equity shares. 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.

The number of equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

***p. Recent Accounting pronouncements***

**Standards issued but not yet effective and not early adopted by the Company**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2021.

**NOTE : 3 (a)**  
**PROPERTY, PLANT AND EQUIPMENT**

Particulars	Plant and Equipment	Total
<b>At cost</b>		
As at March 31, 2020	-	-
Additions (₹ 8250/-)	0.0	0.0
<b>As at March 31, 2021</b>	<b>0.0</b>	<b>0.0</b>
<b>Accumulated depreciation</b>		
As at March 31, 2020	-	-
Less: Depreciation expense (₹ 83/-)	0.0	0.0
<b>As at March 31, 2021</b>	<b>0.0</b>	<b>0.0</b>
<b>Net book value</b>		
As at March 31, 2020	-	-
<b>As at March 31, 2021 (₹ 8167/-)</b>	<b>0.0</b>	<b>0.0</b>

**NOTE : 3 (b)**  
**RIGHT-OF-USE ASSETS**

Particulars	Buildings	Total
<b>As at March 31, 2019</b>	-	-
Addition	27.9	27.9
Less: Depreciation Expenses	6.1	6.1
<b>As at March 31, 2020</b>	<b>21.8</b>	<b>21.8</b>
Additions	32.3	32.3
Less: Deletions	4.0	4.0
Less: Depreciation Expenses	11.8	11.8
<b>As at March 31, 2021</b>	<b>38.3</b>	<b>38.3</b>

For details of IND AS 116 disclosure refer Note 35

**NOTE : 4**  
**INTANGIBLE ASSETS**

Other than internally generated

Particulars	Computer Software	Total
<b>At cost</b>		
As at March 31, 2020	-	-
Additions	0.1	0.1
<b>As at March 31, 2021</b>	<b>0.1</b>	<b>0.1</b>
<b>Accumulated amortisation</b>		
As at March 31, 2020	-	-
Amortisation expenses (₹ 1,279/-)	0.0	0.0
<b>As at March 31, 2021</b>	<b>0.0</b>	<b>0.0</b>
<b>Net book value</b>		
As at March 31, 2020	-	-
<b>As at March 31, 2021</b>	<b>0.1</b>	<b>0.1</b>

<b>SUN PHARMA DISTRIBUTORS LIMITED</b>		₹ in Million	
<b>NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021</b>			
<b>Particulars</b>	<b>As at March 31, 2021</b>	<b>As at March 31, 2020</b>	
<b>5 NON CURRENT INVESTMENTS</b>			
<b>Investments in LLP</b>			
(Investments at fair value through other comprehensive income)			
IndoHealth Services LLP (formerly known as ABCD Technologies LLP)	<b>400.0</b>		-
	<b>400.0</b>		-
<b>6 INVENTORIES</b>			
Lower of cost and net realisable value			
Stock-in-trade	<b>11,621.1</b>		13,091.8
Goods in transit	<b>472.7</b>		1,669.2
	<b>12,093.8</b>		14,761.0
Write downs of inventories amounted to ₹ 23.4 Million (March 31, 2020 : ₹ 27.9 Million).			
<b>7 TRADE RECEIVABLES</b>			
Unsecured			
Considered good	<b>5,147.8</b>		4,422.6
Credit impaired	<b>51.6</b>		27.7
	<b>5,199.4</b>		4,450.3
Less: Allowance for doubtful debts (expected credit loss allowance)	<b>(51.6)</b>		(27.7)
	<b>5,147.8</b>		4,422.6
<b>8 CASH AND CASH EQUIVALENTS</b>			
Balances with banks			
In current accounts	<b>487.1</b>		1,086.2
Cash on hand (March 2021 ₹ 6,061/- March 2020 ₹ 6,798/-)	<b>0.0</b>		0.0
	<b>487.1</b>		1,086.2
<b>9 LOANS (CURRENT)</b>			
Loans to employees (unsecured, considered good)	<b>0.3</b>		-
	<b>0.3</b>		-
<b>10 OTHER FINANCIAL ASSETS (CURRENT)</b>			
Security deposits (unsecured, considered good)	<b>4.6</b>		4.0
	<b>4.6</b>		4.0
<b>11 OTHER ASSETS (CURRENT)</b>			
Prepaid expenses	<b>0.4</b>		12.1
Advances for supply of goods and services	<b>2.8</b>		164.8
Balances with government authorities*	<b>2,227.7</b>		2,248.1
Others	<b>57.6</b>		201.3
	<b>2,288.5</b>		2,626.3
* Includes balances of goods and service tax			



<b>SUN PHARMA DISTRIBUTORS LIMITED</b>		₹ in Million	
<b>NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021</b>			
<b>Particulars</b>	<b>As at March 31, 2021</b>	<b>As at March 31, 2019</b>	
<b>12 EQUITY SHARE CAPITAL</b>			
<b>Authorised</b>			
750,000 (March 31, 2020 750,000) equity shares of ₹ 10 each	7.5	7.5	
	<b>7.5</b>	<b>7.5</b>	
<b>Issued, subscribed and fully paid up</b>			
150,000 (March 31, 2020 150,000) equity shares of ₹ 10 each (Refer Note 32)	1.5	1.5	
	<b>1.5</b>	<b>1.5</b>	
<b>13 OTHER EQUITY</b>			
Surplus			
Retained earnings	1,998.6	673.3	
	<b>1,998.6</b>	<b>673.3</b>	
(Refer statement of changes in equity for detailed movement in other equity balance)			
<b>14 PROVISIONS (NON-CURRENT)</b>			
Employee benefits (Refer Note 34)	1.2	4.9	
	<b>1.2</b>	<b>4.9</b>	
<b>15 BORROWINGS (CURRENT)</b>			
Loan repayable on demand from related party (Unsecured)	-	10.4	
Loan repayable on demand from bank (Unsecured)	0.3	0.4	
	<b>0.3</b>	<b>10.8</b>	
<b>16 OTHER FINANCIAL LIABILITIES (CURRENT)</b>			
Security deposits	41.6	41.3	
Payable to Employees	2.8	2.7	
	<b>44.4</b>	<b>44.0</b>	
<b>17 LIABILITIES FOR CURRENT TAX</b>			
Current tax (Net of advance income tax)	7.5	88.6	
	<b>7.5</b>	<b>88.6</b>	
<b>18 OTHER LIABILITIES (CURRENT)</b>			
Statutory remittances	16.1	0.4	
Advances from customers	63.5	126.8	
	<b>79.6</b>	<b>127.2</b>	
<b>19 PROVISIONS (CURRENT)</b>			
Employee benefits (Refer Note 34)	2.6	0.8	
Product returns (Refer Note 37)	159.7	106.7	
Others	307.0	390.2	
	<b>469.3</b>	<b>497.7</b>	

**SUN PHARMA DISTRIBUTORS LIMITED** ₹ in Million  
**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
<b>20 REVENUE FROM OPERATIONS</b>		
Revenue from contracts with customers (Refer Note 42)	104,039.3	81,369.9
	<b>104,039.3</b>	<b>81,369.9</b>
<b>21 OTHER INCOME</b>		
Interest income	155.8	12.5
Sundry balances written back, net	16.7	-
	<b>172.5</b>	<b>12.5</b>
<b>22 CHANGES IN INVENTORIES OF STOCK-IN-TRADE</b>		
Inventories at the beginning of the year	14,761.0	-
Inventories at the end of the year	(12,093.8)	(14,761.0)
	<b>2,667.2</b>	<b>(14,761.0)</b>
<b>23 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages and bonus	16.9	13.4
Contribution to provident and other funds *	1.4	1.0
Staff welfare expenses	0.6	0.6
	<b>18.9</b>	<b>15.0</b>
* Includes gratuity expense of ₹ 0.6 Million (March 31, 2020 : ₹ 0.4 Million)		
<b>24 FINANCE COSTS</b>		
Interest expense for financial liabilities carried at amortised cost	0.8	251.7
Interest on Lease liabilities (Refer Note 35)	2.6	1.5
Interest expense others (includes interest on income tax)	1.6	19.6
	<b>5.0</b>	<b>272.8</b>
<b>25 OTHER EXPENSES</b>		
Power and fuel	32.6	24.6
Rent	3.9	2.1
Rates and taxes	259.7	106.8
Insurance	70.1	11.2
Selling, promotion and distribution	34.5	27.8
Commission on sales	906.1	730.1
Repairs and maintenance	4.9	3.5
Printing and stationery	11.5	11.1
Travelling and conveyance	1.7	0.4
Freight outward and handling charges	182.8	181.0
Communication	1.7	1.9
Provision for doubtful Trade Receivable	23.9	27.7
Professional, legal and consultancy	8.5	4.7
Donations	6.0	-
Payments to auditor (net of input credit, wherever applicable)		
For audit	4.0	4.0
Reimbursement of expenses (₹32,802/-)	0.0	0.1
Miscellaneous expenses *	212.2	2.5
	<b>1,764.1</b>	<b>1,139.5</b>
*Miscellaneous expenses include contributions made towards Covid relief including PPE kits, sanitisers, distribution of medicines etc.		
<b>26 TAX RECONCILIATION</b>		
<b>Reconciliation of Income tax expense</b>		
Profit before tax	1,767.5	903.6
Income tax rate (%) applicable to the Company	* 25.17%	* 25.17%
Income tax expenses calculated at income tax rate	444.8	227.4
Effect of expenses that are not deductible	1.9	1.8
Others	(4.3)	-
Income tax expense recognised in the statement of Profit and Loss	<b>442.4</b>	<b>229.2</b>

\* The Company has elected to exercise the option permitted under section 115BAA of the Income tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, tax rate used for reconciliation above is the corporate tax rate of 25.17% and has recognised the provision of income tax for year ended March 31, 2021.

**SUN PHARMA DISTRIBUTORS LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

**NOTE : 27 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)**

There are no outstanding contingent liabilities or capital commitments. For lease related commitments refer Note 35.

**NOTE : 28 CAPITAL MANAGEMENT**

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders through optimisation of debts and equity balance.

The Company monitors capital on the basis of the carrying amount of debt less cash and cash equivalents and bank balances as presented on the face of the financial statements.

The Company's objective for capital management is to maintain an optimum overall financial structure.

The Company has adequate cash and bank balances and has very low amount of debt. It monitors its capital by a careful scrutiny of the cash and bank balances, and a regular assessment of any debt requirements.

The Company has a net cash position.

**NOTE : 29 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's risk management assessment and policies and processes are established to identify and analyse 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.

**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, loans and investments. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of counterparty to which the Company grants credit terms in the normal course of business.

Trade receivables

The Company has used expected credit loss (ECL) model for assessing the impairment loss. For the purpose, the Company uses a provision matrix to compute the expected credit loss amount. The provision matrix takes into account external and internal risk factors and historical data of credit losses from various customers.

₹ in Million		
Particulars	As at March 31, 2021	As at March 31, 2020
Financial assets for which loss allowances is measured using the expected credit loss		
Trade receivables		
less than 180 days	5,150.6	4,445.8
180 - 365 days	13.0	-
beyond 365 days	35.8	4.5
<b>Total</b>	<b>5,199.4</b>	<b>4,450.3</b>

₹ in Million		
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Movement in the expected credit loss allowance on trade receivables		
Balance at the beginning of the year	27.7	-
Addition	23.9	27.7
Recoveries	-	-
<b>Balance at the end of the year</b>	<b>51.6</b>	<b>27.7</b>

**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.

The Company had unutilised working capital lines from banks of ₹400.0 Million as on March 31, 2021, ₹ NIL as on March 31, 2020.

The table below provides details regarding the contractual maturities of significant financial liabilities :

₹ in Million				
Particulars	Less than 1 year	1 - 3 years	More than 3 years	As at March 31, 2021
Non derivative				
Other borrowings	0.3	-	-	0.3
Lease liabilities	9.5	16.2	13.9	39.6
Trade payables	17,832.9	-	-	17,832.9
Other financial liabilities	44.4	-	-	44.4
	<b>17,887.1</b>	<b>16.2</b>	<b>13.9</b>	<b>17,917.2</b>

₹ in Million

Particulars	Less than 1 year	1 - 3 years	More than 3 years	As at March 31, 2020
Non derivative				
Other borrowings	10.8	-	-	10.8
Lease liabilities	7.8	6.0	8.3	22.1
Trade payables	21,460.3	-	-	21,460.3
Other financial liabilities	44.0	-	-	44.0
	21,522.9	6.0	8.3	21,537.2

**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. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and operating activities in foreign currencies. However, the Company has not entered into foreign exchange transactions and does not have any investments or borrowings on floating rate of interest. Hence, the Company has minimal exposure in the risk of market rate and prices.

**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. However, the Company has minimal exposure to the risk of changes in market interest rates. As at the balance sheet date, the Company has not entered into any derivatives contracts.

**Commodity rate risk**

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of pharmaceutical products. As of March 31, 2021 the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

**NOTE : 30 CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY**

All financial assets and financial liabilities of the Company are classified at amortised cost except investment of ₹ 400.0 Million, which is classified at fair value through other comprehensive Income. The Company made the investment of ₹ 400.0 Million for 12.5% stake in IndoHealth Services LLP on March 26, 2021. There have been no major changes till the year end. Further, there have been subsequent investment on similar valuations and terms and conditions. Hence, the Company believes the investment value approximates the fair value as at March 31, 2021.

₹ in Million

Particulars	As at March 31, 2021		
	Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value on a recurring basis at the end of each reporting period			
<b>Financial Assets</b>			
Investment in LLP			
IndoHealth Services LLP (formerly known as ABCD Technologies LLP)	-	-	400.0
	-	-	400.0

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs are unobservable inputs for the asset or liability.

There were no transfers between Level 1 and 2 in the period.

The management considers that the carrying amount of current financial assets and current financial liabilities carried at amortised cost approximates their fair value.

**NOTE : 31 DISCLOSURES UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006**

The information regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Principal amount remaining unpaid to any supplier as at the end of the accounting year	8.4	2.0

There are no amounts of interest paid / due / payable during the year / previous year / succeeding year. Also, there is no amount of interest accrued and remaining unpaid at the end of current accounting year / previous accounting year.

**NOTE : 32 DISCLOSURES RELATING TO SHARE CAPITAL****A Rights, Preferences and Restrictions attached to shares and repayment terms of capital**

The Company has equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share and entitlement to dividend. No equity shares have been issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date.

**B EQUITY SHARE CAPITAL**

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	₹ in Million	Number of shares	₹ in Million
<b>Authorised</b>				
Equity shares of ₹ 10 each	750,000	7.5	750,000	7.5
	750,000	7.5	750,000	7.5
<b>Issued, subscribed and fully paid up</b>				
Equity shares of ₹ 10 each	150,000	1.5	150,000	1.5
	150,000	1.5	150,000	1.5

Particulars	As at March 31, 2021		As at March 31, 2020	
	No. of shares	₹ in Million	No. of shares	₹ in Million
<b>Reconciliation of the number of</b>				
Opening balance	150,000	1.5	150,000	1.5
Issued and subscribed during the year	-	-	-	-
Closing Balance	150,000	1.5	150,000	1.5

**Details of shareholders holding more than 5% in the Company**

Name of equity shareholders	As at March 31, 2021		As at March 31, 2020	
	No. of shares	% of holding	No. of shares	% of holding
Sun Pharma Laboratories Limited (holding company)	150,000	100%	150,000	100%

**NOTE : 33 EARNINGS PER SHARE**

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Profit / (Loss) for the year (₹ in Million)	1,325.1	674.4
Weighted average number of shares used in computing earnings per share	150,000	150,000
Nominal value per share (in ₹)	10	10
Earnings per share (in ₹)	8,834.0	4,496.0

**NOTE : 34 EMPLOYEE BENEFIT PLAN**

**Defined contribution plan**

Contributions are made to Regional Provident Fund (RPF), Family Pension Fund and other Funds which cover all regular employees. While both the employees and the Company make predetermined contributions to the Provident Fund, contribution to the Family Pension Fund and other Statutory Funds are made only by the Company. The contributions are normally based on a certain percentage of the employee's salary. Amount recognised as expense in respect of these defined contribution plans is as follows:

Particulars	₹ in Million	
	Year ended March 31, 2021	Year ended March 31, 2020
Contribution to Provident Fund and Family Pension Fund	0.7	0.5
Contribution to Employees Deposit Linked Insurance (EDLI) (March 2021 ₹18,184/- March 2020 ₹12,768/-)	0.0	0.0
Contribution to Labour Welfare Fund (March 2021 ₹72/- March 2020 ₹36/-)	0.0	0.0

**Defined benefit plan**

In respect of Gratuity, a defined benefit plan, contributions are made to LIC's Recognised Group Gratuity Fund Scheme. It is governed by the Payment of Gratuity Act, 1972. Under the Gratuity Act, employees are entitled to specific benefit at the time of retirement or termination of the employment on completion of five years or death while in employment. The level of benefit provided depends on the member's length of service and salary at the time of retirement/termination age. Provision for Gratuity is based on actuarial valuation done by an independent actuary as at the year end. Each year, the Company reviews the level of funding in gratuity fund. The Company decides its contribution based on the results of its annual review. The Company aims to keep annual contributions relatively stable at a level such that the fund assets meets the requirements of gratuity payments in short to medium term.

**Risks**

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

i) Investment risk - The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to the market yields on government bonds denominated in Indian Rupees. If the actual return on plan asset is below this rate, it will create a plan deficit. However, the risk is partially mitigated by investment in LIC managed fund.

ii) Interest rate risk - A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments.

iii) Longevity risk - The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

iv) Salary risk - The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

**Other long term benefit plan**

Actuarial valuation for compensated absences is done as at the year end and the provision is made as per Company policy with corresponding charge to the Statement of Profit and Loss amounting to ₹ 0.7 Million (March 2020 ₹ 0.9 Million) and it covers all regular employees. Major drivers in actuarial assumptions, typically, are years of service and employee compensation.

Obligation in respect of defined benefit plan and other long term employee benefit plans are actuarially determined as at the year end using the 'Projected Unit Credit' method. Gains and losses on changes in actuarial assumptions relating to defined benefit obligation are recognised in other comprehensive income whereas gains and losses in respect of other long term employee benefit plans are recognised in the Profit and Loss.

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
	Gratuity (Funded)	Gratuity (Funded)
<b>Expense recognised in the statement of profit and loss (Refer Note 23)</b>		
Current service cost	0.3	0.2
Interest cost	0.3	0.2
Expected return on plan assets (₹ 14,569/-)	(0.0)	-
Expense charged to the statement of profit and loss	0.6	0.4
<b>Remeasurement of defined benefit obligation recognised in other comprehensive income</b>		
Actuarial loss / (gain) on defined benefit obligation	(0.1)	1.3
Actuarial gain on plan assets	(0.1)	-
Expense / (Income) charged to other comprehensive income	(0.2)	1.3
<b>Reconciliation of defined-benefit obligations</b>		
Obligation as at the beginning of the year	4.5	-
Current service cost	0.3	0.2
Interest cost	0.3	0.2
Benefits paid	-	-
Actuarial gains on obligations		
- due to change in demographic assumptions	-	(0.8)
- due to change in financial assumptions (₹ 29,569/-)	(0.0)	1.7
- due to experience (₹ 37,162/-)	(0.0)	0.4
Acquisition Adjustment	-	2.8
Obligation as at the year end	5.1	4.5

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
	Gratuity (Funded)	Gratuity (Funded)
<b>Reconciliation of liability/(asset) recognised in the Balance sheet</b>		
Present value of commitments (as per actuarial valuation)	5.1	4.5
Fair value of plan assets	(2.9)	(0.3)
Net liability recognised in the financial statement	2.2	4.2
<b>Reconciliation of plan assets</b>		
Plan assets as at the beginning of the year	0.3	-
Investment Income (March 2021 ₹ 14,569/- March 2020 ₹ 4,153/-)	0.0	0.0
Employer's contribution during the year	0.5	-
Return on plan assets, excluding amount recognised in net interest expense	0.1	-
Acquisition Adjustment *	2.0	0.3
Plan assets as at the year end	2.9	0.3
* Please refer Note 41 on asset acquisition		

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
	Gratuity (Funded)	Gratuity (Funded)
<b>Assumption</b>		
Discount rate	6.3%	6.5%
Expected return on plan assets	6.3%	6.5%
Expected rate of salary increase	9.0%	9.4%
Interest rate guarantee	N.A.	N.A.
Mortality	Indian Assured Lives Morality (2012-14)	Indian Assured Lives Morality (2012-14)
Attrition / Withdrawal rate (per annum)	13.5%	13.5%
Retirement Age (years)	60	60

₹ in Million

Particulars	Year ended	
	March 31, 2021 Gratuity (Funded)	March 31, 2020 Gratuity (Funded)
<b>Sensitivity analysis:</b>		
The sensitivity analysis have been determined based on method that extrapolates the impact on defined benefit obligation as a reasonable change in key assumptions occurring at the end of the reporting period.		
Impact on defined benefit obligation		
Delta effect of +1% change in discount rate	(0.3)	(0.2)
Delta effect of -1% change in discount rate	0.3	0.3
Delta effect of +1% change in salary escalation rate	0.3	0.3
Delta effect of -1% change in salary escalation rate	(0.3)	(0.2)
Delta effect of +1% change in rate of employee turnover (March 2021 Rs 32,786/- March 2020 ₹ 32,894/-)	(0.0)	(0.0)
Delta effect of -1% change in rate of employee turnover (March 2021 Rs 35,484/- March 2020 ₹ 35,637/-)	0.0	0.0

Maturity analysis of projected benefit obligation		
1st year	0.6	0.6
2nd year	0.6	0.5
3rd year	0.8	0.5
4th year	0.7	0.7
5th year	0.8	0.6
6 to 10 years	2.4	2.1
More than 10 years	1.5	1.9
The major categories of plan assets are as under		
Insurer managed funds (Funded with LIC, break-up not available)	2.9	0.3
The contribution expected to be made by the Company for gratuity, during financial year ending March 31, 2022 is ₹ 2.4 Million (Previous year ₹ 4.5 Million)		

**NOTE : 35 LEASES**

In accordance with IND AS 116 with effect from April 01, 2019, the Company has recognised a lease liability measured at the present value of the remaining lease payments, and right-of-use (ROU) asset at an amount equal to lease liability (adjusted for any related prepayments). Management has exercised judgement in determining whether extension and termination options are reasonably certain to be exercised. Expenses relating to short-term leases and low-value assets for the year ended March 31, 2021 is ₹ 3.9 Million (March 31, 2020 ₹ 2.1 Million)

Particulars	₹ in Million	
	As at March 31, 2021	As at March 31, 2020
<b>The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:</b>		
Not later than one year	12.2	9.3
Later than one year and not later than five years	28.1	10.7
Later than five years	11.7	11.7
	<b>52.0</b>	<b>31.7</b>

Particulars	₹ in Million	
	As at March 31, 2021	As at March 31, 2020
<b>Movement of lease liabilities</b>		
Opening balance	22.1	-
Addition	32.3	27.9
Deletion	(4.0)	-
Interest on lease liabilities	2.6	1.5
Payment towards lease liabilities	(13.4)	(7.3)
Closing balance	<b>39.6</b>	<b>22.1</b>

**NOTE : 36 RELATED PARTY DISCLOSURES AS PER ANNEXURE "A"**

**NOTE : 37**

In respect of any present obligation as a result of past event that could lead to a probable outflow of resources, provisions has been made, which would be required to settle the obligation. The said provisions are made as per the best estimate of the management and disclosure as per Ind AS 37 - "Provisions, Contingent Liabilities and Contingent Assets" has been given below :

Particulars	₹ in Million	
	Year ended March 31, 2021*	Year ended March 31, 2020*
At the commencement of the year		-
Add: Provision for the year	106.7	106.7
Less: Utilisation	(53.4)	-
At the end of the year	<b>159.7</b>	<b>106.7</b>

(\*) includes provision for product returns

**NOTE : 38 DEFERRED TAX**

**DEFERRED TAX ASSET (NET)**

Particulars	₹ in Million			
	Balance as at April 01, 2020	Recognised in profit or loss	Recognised in other comprehensive Income	Balance as at March 31, 2021
<b>Deferred tax (liabilities) in relation to:</b>				
<b>Total Deferred tax (liabilities)</b>	-	-	-	-
<b>Deferred tax assets in relation to:</b>				
Adjustment in relation to ROU asset	0.1	0.2	-	0.3
Allowance for doubtful debts	7.0	6.0	-	13.0
Expenses that are allowed on payment basis ( ₹ 43,914/-)	1.4	(0.3)	(0.0)	1.1
Others	-	-	-	-
<b>Total Deferred tax Assets</b>	<b>8.5</b>	<b>6.0</b>	<b>(0.0)</b>	<b>14.4</b>
<b>Deferred tax Assets (Net)</b>	<b>8.5</b>	<b>5.9</b>	<b>(0.0)</b>	<b>14.4</b>

Particulars	Balance as at April 01, 2019	Recognised in profit or loss	Recognised in other comprehensive Income	Balance as at March 31, 2020
Deferred tax (liabilities) in relation to:				
Total Deferred tax (liabilities)	-	-	-	-
Deferred tax assets in relation to:				
Adjustment in relation to ROU asset	-	0.1	-	0.1
Allowance for doubtful debts	-	7.0	-	7.0
Expenses claimed for tax purpose on payment basis	-	1.1	0.3	1.4
Others	-	-	-	-
Total Deferred tax Assets	-	8.2	0.3	8.5
Deferred tax Assets (Net)	-	8.2	0.3	8.5

**NOTE : 39**

Expenditure related to Corporate Social Responsibility as per Section 135 of the Companies Act, 2013 read with Schedule VII thereof: ₹ 11.0 Million (March 31, 2020 : Nil), included in other expenses.

Details of CSR expenditure:

- Gross amount required to be spent by the Company during the year 2020-21 ₹ 9.0 million (March 31, 2020 : Nil)

₹ in Million

Particulars	In cash	Yet to be paid in cash	Total
Amount spent during the year ended on March 31, 2021:			
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	11.0	-	11.0
Amount spent during the year ended on March 31, 2020:			
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	-	-	-

**NOTE : 40 SEGMENT**

The Company has only one reportable segment namely 'Pharmaceuticals'.

**NOTE : 41**

During the previous year, the Company executed a business transfer agreement on October 7, 2019 to acquire the Pharmaceutical business undertaking of Aditya Medisales Limited on a slump sale basis, which included certain receivables and payables. The net consideration paid by the Company amounted to ₹629.6 Million.

**NOTE : 42 REVENUE FROM CONTRACTS WITH CUSTOMERS**

The reconciling items of revenue recognised in the statement of profit and loss with the contracted price are as follows

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Revenue as per contracted price, net of returns	104,440.1	81,677.1
Less :		
Provision for sales return	(53.0)	(106.7)
Rebates, discounts and price reduction	(347.8)	(200.5)
	(400.8)	(307.2)
<b>Revenue from contract with customers</b>	<b>104,039.3</b>	<b>81,369.9</b>

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Contract balances</b>		
Trade receivables	5,147.8	4,422.6
Contract assets	-	-
Contract liabilities	63.5	126.8

Contract assets are initially recognised for revenue from sale of goods. Contract liabilities are on account of upfront revenue received from customer for which performance obligation has not yet been completed.

The performance obligation is satisfied when control of goods and services are transferred to customer based on the contractual term. Payment term with customer vary depending upon the contractual terms of each contract.

**NOTE : 43**

The Company continues to monitor the impact of the Covid-19 on its business, including its impact on customers, supply-chain, employees and logistics. Due care has been exercised, in concluding on significant accounting judgements and estimates, including in relation to recoverability of receivables and assessment for impairment of inventory, based on the information available to date, while preparing the Company's financial statements as of and for the year ended 31st March, 2021.

**NOTE : 44**

The date of implementation of the Code on Wages 2019 and the Code on Social Security, 2020 is yet to be notified by the Government. The Company will assess the impact of these Codes and give effect in the audited financial statements when the Rules/Schemes thereunder are notified.



**NOTE : 45 USE OF ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

The preparation of the Company's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:  
Revenue [Refer Note 2(2.2)(j)]

**NOTE : 46**

Figures for previous year have been regrouped/reclassified wherever considered necessary.

As per our report of even date

**For S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm registration no: 324982E/ E300003

For and on behalf of the Board of Directors of  
**SUN PHARMA DISTRIBUTORS LIMITED**

**per NISHANT MANKODI**  
Partner  
Membership No. : 107515  
Date : May 26, 2021

**SAILESH T. DESAI**  
Director  
DIN No. : 00005443  
Date : May 26, 2021

**RAKESHCHANDRA J. SINHA**  
Director  
DIN No. : 07340998  
Date : May 26, 2021

SUN PHARMA DISTRIBUTORS LIMITED		₹ in Million	
NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021		ANNEXURE "A"	
Ind AS- 24 - " RELATED PARTY DISCLOSURES "			
<b>(I) Names of related parties and description of their relationships</b>			
<b>1 Ultimate Holding Company</b>	Sun Pharmaceutical Industries Limited		
<b>2 Holding Company</b>	Sun Pharma Laboratories Limited		
<b>3 Fellow Subsidiary</b>	Sun Pharmaceutical Medicare Limited		
<b>4 Key Management Personnel (KMP)</b>	Sailesh Trambakial Desai Kalyanasundaram Iyer Natesan Subramanian Rakeshchandra Jagdishprasad Sinha	Director (DIN No. : 00005443) Director (DIN No. : 00179072) Director (DIN No. : 07340998)	
<b>5 Others (Entities in which the KMP and relatives of KMP have control or Significant influence)</b>	Aditya Medisales Limited United Medisales Private Limited		
<b>(II) Detail of related party transaction during the year ended March 31, 2021:</b>			
Type of Transaction	Year ended March 31, 2021	Year ended March 31, 2020	
<b>Purchase of goods</b>	<b>97,435.4</b>	<b>92,764.7</b>	
Ultimate Holding Company	32,216.8	36,882.9	
Holding Company	65,215.9	55,873.4	
Fellow Subsidiary	2.7	7.5	
Others	-	0.9	
<b>Other Expenses</b>	<b>208.4</b>	<b>-</b>	
Holding Company	208.4	-	
<b>Acquired on Slump sale basis</b>	<b>-</b>	<b>629.6</b>	
Others	-	629.6	
<b>Receiving of service</b>	<b>16.9</b>	<b>14.9</b>	
Others	16.9	14.9	
<b>Reimbursement of expenses (paid)</b>	<b>151.2</b>	<b>103.8</b>	
Ultimate Holding Company	108.5	61.3	
Holding Company	41.5	41.5	
Others	1.2	1.0	
<b>Reimbursement of expenses (received)</b>	<b>700.0</b>	<b>563.6</b>	
Ultimate Holding Company	147.0	74.0	
Holding Company	553.0	489.6	
<b>Security Deposit given</b>	<b>-</b>	<b>0.1</b>	
Ultimate Holding Company	-	0.1	
<b>Loan taken</b>	<b>178.0</b>	<b>629.7</b>	
Ultimate Holding Company	178.0	-	
Holding Company	-	629.7	
<b>Loan repaid</b>	<b>188.4</b>	<b>629.7</b>	
Ultimate Holding Company	178.0	-	
Holding Company	10.4	629.7	
<b>Interest on loans repaid</b>	<b>0.3</b>	<b>11.5</b>	
Ultimate Holding Company	0.3	-	
Holding Company	-	11.5	
<b>Interest expense</b>	<b>-</b>	<b>251.3</b>	
Ultimate Holding Company	-	131.4	
Holding Company	-	119.9	
<b>Rent expense / Payment towards Lease Liabilities</b>	<b>1.2</b>	<b>1.1</b>	
Ultimate Holding Company	1.2	1.1	
<b>Balance Outstanding as at the end of the year</b>			
Particulars	As at March 31, 2021	As at March 31, 2020	
<b>Payable</b>	<b>17,596.8</b>	<b>21,282.1</b>	
Ultimate Holding Company	4,082.0	5,241.7	
Holding Company	13,512.9	16,038.1	
Fellow Subsidiary	-	0.7	
Others	1.9	1.6	
<b>Loan taken</b>	<b>-</b>	<b>10.4</b>	
Holding Company	-	10.4	
<b>Security Deposit given</b>	<b>0.1</b>	<b>0.1</b>	
Ultimate Holding Company	0.1	0.1	
<b>Lease liabilities</b>	<b>8.9</b>	<b>8.7</b>	
Ultimate Holding Company	8.9	8.7	
The sales to and purchases from related parties are made on an arm's length basis. Outstanding trade balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.			