INDEPENDENT AUDITOR'S REPORT

To the Members of Sun Pharmaceutical Medicare Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Sun Pharmaceutical Medicare 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 Statement of Cash Flows 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 loss 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's 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.

The 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 Statement of Cash Flows 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 the 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) In our opinion, provisions of section 197 read with Schedule V of the Act are applicable to the Company for the year ended March 31, 2021. However, no managerial remuneration has been paid/provided by the Company to its directors during the year;

(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 has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements- Refer Note 29 to the Ind AS financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

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: 21107515AAAAAP5008
Place of Signature: Mumbai
Date: May 25, 2021

Annexure 1 referred to in paragraph 1 of our report of even date under the heading "Report on Other Legal and Regulatory Requirements"

Re: Sun Pharmaceutical Medicare Limited ("the Company")

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management and audit procedures performed by us, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(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.

(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. Accordingly, the provisions of clause 3(iv) of the Order is not 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) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture of pharmaceutical products, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, custom duty, excise duty, value added tax, goods and services tax, cess and other statutory dues, wherever applicable, 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, undisputed dues in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, custom duty, excise duty, value added tax, goods and services tax, cess and other statutory dues, wherever applicable, which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:

Statement of Arrears of Statutory Dues Outstanding for More than Six Months

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
The Gujarat Profession Tax Act, 1976	Profession Tax	2,500	FY 2019-20	March 31, 2020	Unpaid

(c) According to the records of the Company, the dues of income tax, sales tax, service tax, custom duty, excise duty, value added tax, goods and services tax and cess, wherever applicable and which have not been deposited on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount* (Rs. million)	Period to which it pertains	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty and Penalty	472.17	FY 2007-08 to FY 2016-17	The Customs Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Excise Duty and Penalty	4.40	FY 2003-04	Commissioner (RB)

*Amount are net of advances paid/adjusted under protest

(viii) The Company did not have any outstanding loans or borrowing dues 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 fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) In our opinion, provisions of section 197 read with Schedule V of the Act are applicable to the Company for the year ended March 31, 2021. However, no managerial remuneration has been paid/provided by the Company to its directors during the year.

(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, 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 section 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 and hence, reporting requirements under clause 3(xiv) of the Order is not applicable to the Company and hence not commented upon.

(xv) According to the information and explanations given by the 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 and hence not commented upon.

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

per Nishant Mankodi
Partner
Membership Number: 107515
UDIN: 21107515AAAAAP5008
Place of Signature: Mumbai
Date: May 25, 2021

Annexure 2 to the Independent Auditor's Report of even date on the Ind AS financial statements of Sun Pharmaceutical Medicare Limited

Report on the Internal Financial Controls under Clause (i) 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 Pharmaceutical Medicare 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 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 Ind AS these 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 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 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 & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Nishant Mankodi
Partner
Membership Number: 107515
UDIN: 21107515AAAAAP5008
Place of Signature: Mumbai
Date: May 25, 2021

SUN PHARMACEUTICAL MEDICARE LIMITED
BALANCE SHEET AS AT MARCH 31, 2021

₹ in Million

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	3 (a) & 3 (b)	2,334.0	2,395.3
(b) Capital work-in-progress		435.3	296.0
(c) Goodwill		1.0	1.0
(d) Financial assets			
(i) Other financial assets	4	11.9	11.9
(e) Deferred tax assets (net)	5	-	-
(f) Income tax assets	6	24.9	16.6
(g) Other non-current assets	7	3.9	29.3
Total non-current assets		**2,811.0**	**2,750.1**
(2) Current assets			
(a) Inventories	8	626.6	325.6
(b) Financial assets			
(i) Trade receivables	9	450.0	74.8
(ii) Cash and cash equivalents	10	6.9	5.7
(iii) Loans	11	4.2	2.9
(c) Other current assets	12	712.6	675.0
Total current assets		**1,800.3**	**1,084.0**
TOTAL ASSETS		**4,611.3**	**3,834.1**
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	13	2.5	2.5
(b) Other equity	14	(2,751.2)	(1,883.9)
Total equity		**(2,748.7)**	**(1,881.4)**
Liabilities			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	15	6,882.3	133.5
(b) Provisions	16	25.7	26.8
Total non-current liabilities		**6,908.0**	**160.3**
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	17	-	5,195.2
(ii) Trade payables			
(a) total outstanding dues of micro and small enterprises	33	58.8	40.5
(b) total outstanding dues of creditors other than micro and small enterprises		276.2	177.2
(iii) Other financial liabilities	18	59.5	80.7
(b) Other current liabilities	19	43.2	51.3
(c) Provisions	20	14.3	10.3
Total current liabilities		**452.0**	**5,555.2**
TOTAL LIABILITIES		**7,360.0**	**5,715.5**
TOTAL EQUITY AND LIABILITIES		**4,611.3**	**3,834.1**

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 PHARMACEUTICAL MEDICARE LIMITED

per Nishant Mankodi
Partner
Membership no.: 107515
Date: May 25, 2021

Sailesh Trambaklal Desai
Director
DIN: 00005443

Ashok Indulal Bhuta
Director
DIN: 00065307

Rakeshchandra Jagdishprasad Sinha
Director
DIN: 07340998
Date: May 25, 2021

SUN PHARMACEUTICAL MEDICARE LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	Notes	Year ended March 31, 2021	Year ended March 31, 2020
(I) Revenue from operations	21	1,387.4	799.2
(II) Other income	22	8.0	3.1
(III) Total income (I + II)		**1,395.4**	**802.3**
(IV) Expenses			
Cost of materials consumed	23	467.1	512.9
Changes in inventories of finished goods and work-in-progress	24	(137.8)	(4.9)
Employee benefits expense	25	380.6	339.3
Finance costs	26	466.6	360.0
Depreciation expense	3 (a) & 3 (b)	228.0	191.4
Other expenses	27	864.5	799.8
Total expenses (IV)		**2,269.0**	**2,198.5**
(V) Loss before tax (III-IV)		**(873.6)**	**(1,396.2)**
(VI) Tax expense			
Current tax	28	-	-
Deferred tax	28	(1.6)	0.1
Total tax expenses (VI)		**(1.6)**	**0.1**
(VII) Loss for the year (V - VI)		**(872.0)**	**(1,396.3)**
(VIII) Other comprehensive income			
A) Items that will not be reclassified to the statement of profit and loss			
Remeasurements of the defined benefit plans		6.3	(0.5)
Income tax on above		(1.6)	0.1
Total other comprehensive income / (loss) (VIII)		**4.7**	**(0.4)**
(IX) Total comprehensive loss for the year (VII+VIII)		**(867.3)**	**(1,396.7)**
Loss per equity share (face value per equity share - ₹ 10)			
Basic and Diluted (in ₹)	34	(3,488.0)	(5,585.4)

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

per Nishant Mankodi
Partner
Membership no. : 107515
Date: May 25, 2021

For and on behalf of the Board of Directors of
SUN PHARMACEUTICAL MEDICARE LIMITED

Sailesh Trambaklal Desai
Director
DIN: 00005443

Ashok Indulal Bhuta
Director
DIN: 00065307

Rakeshchandra Jagdishprasad Sinha
Director
DIN: 07340998
Date: May 25, 2021

SUN PHARMACEUTICAL MEDICARE LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	Equity share capital	Other equity	Total
		Reserve and surplus	
		Retained earnings	
Balance as at April 01, 2019	**2.5**	**(487.2)**	**(484.7)**
Loss for the year	-	(1,396.3)	(1,396.3)
Other comprehensive loss for the year	-	^ (0.4)	(0.4)
Total comprehensive loss for the year	**-**	**(1,396.7)**	**(1,396.7)**
Balance as at March 31, 2020	**2.5**	**(1,883.9)**	**(1,881.4)**
Loss for the year	-	(872.0)	(872.0)
Other comprehensive income for the year	-	^ 4.7	4.7
Total comprehensive loss for the year	**-**	**(867.3)**	**(867.3)**
Balance as at March 31, 2021	**2.5**	**(2,751.2)**	**(2,748.7)**

^ 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

per Nishant Mankodi
Partner
Membership no.: 107515
Date: May 25, 2021

For and on behalf of the Board of Directors of
SUN PHARMACEUTICAL MEDICARE LIMITED

Sailesh Trambaklal Desai
Director
DIN: 00005443

Ashok Indulal Bhuta
Director
DIN: 00065307

Rakeshchandra Jagdishprasad Sinha
Director
DIN: 07340998
Date: May 25, 2021

SUN PHARMACEUTICAL MEDICARE LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2021

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
A. Cash flow from operating activities		
Loss before tax	(873.6)	(1,396.2)
Adjustments for:		
Depreciation expense	228.0	191.4
Finance costs	466.6	360.0
Net loss / (gain) on disposal of property, plant and equipment	2.0	(2.4)
Sundry balances written off, net	0.2	0.9
Provision for doubtful trade receivables	21.4	-
Net unrealised foreign exchange loss / (gain)	(2.8)	5.4
Operating loss before working capital changes	**(158.2)**	**(840.9)**
Movements in working capital:		
(Increase) / decrease in inventories	(301.0)	121.1
(Increase) / decrease in trade receivables	(396.7)	267.3
Increase in other assets	(38.9)	(118.2)
Increase in trade payables	120.0	18.7
Decrease in other liabilities	(6.1)	(281.4)
Increase / (decrease) in provisions	9.2	(3.3)
Cash used in operations	**(771.7)**	**(836.7)**
Income taxes paid (net of refund)	(8.3)	(1.7)
Net cash used in operating activities (A)	**(780.0)**	**(838.4)**
B. Cash flow from investing activities		
Purchase of property, plant and equipment	(324.8)	(303.1)
Proceeds from sale of property, plant and equipment	18.1	10.3
Net cash used in investing activities (B)	**(306.7)**	**(292.8)**
C. Cash flow from financing activities		
Proceeds from borrowings	7,978.0	1,398.5
Repayment of borrowings @	(6,436.2)	(275.8)
Interest paid [March 31, 2020 ₹ (14150)]	(453.9)	0.0
Net cash generated from financing activities (C)	**1,087.9**	**1,122.7**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**1.2**	**(8.5)**
Cash and cash equivalents at the beginning of the year	5.7	14.2
Cash and cash equivalents at the end of the year	**6.9**	**5.7**

@ includes payment of lease obligation (for movement of lease liabilities, refer note 36)

Notes:

1. Cash and cash equivalents comprises of : (refer note 10)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Balances with banks		
In current accounts	6.8	5.5
Cash on hand	0.1	0.2
	6.9	**5.7**

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

per Nishant Mankodi
Partner
Membership no.: 107515
Date: May 25, 2021

For and on behalf of the Board of Directors of
SUN PHARMACEUTICAL MEDICARE LIMITED

Sailesh Trambaklal Desai
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DIN: 07340998
Date: May 25, 2021

1. General information

Sun Pharmaceutical Medicare Limited ["the Company" - (CIN U36900GJ2017PLC095132)] is a public limited company domiciled in India and incorporated under provisions of the Companies Act, 2013 applicable in India, having it's registered office at SPARC, Tandalja, Vadodara - 390012, Gujarat, India. The Company is in the business of manufacturing, a wide range of branded and generic formulations. The Company has one manufacturing location at Baska, Gujarat.

The Financial statements were approved for issue in accordance with a resolution of the directors on May 25, 2021.

2. Summary of 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 Section 133 of the Companies Act, 2013 ('the Act'), as amended, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other relevant provisions of the Act 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) Non-current assets classified as held for sale which are measured at the lower of their carrying amount and fair value less costs to sell;
(iii) 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.

a. Fair Value Measurement

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.

b. Current versus non-current classification

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.

c. Foreign currency

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

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

d. 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.

e. 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. Freehold land is not depreciated.

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

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

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

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the acquired asset is measured at the carrying amount of the asset given up.

Depreciation is recognised on the cost of assets (other than freehold land and Capital work-in-progress) 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. Leasehold improvements are depreciated over period of the lease agreement or the useful life, whichever is shorter. 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 years
Plant and equipment	3-20
Vehicles	5-10
Office equipment	2-5
Furniture and fixtures	10

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.

f. Goodwill

Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquire, over the fair value of the Company’s share of identifiable net assets acquired. Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually.

g. Impairment of non-financial assets

The carrying amounts of the Company’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised in the profit or loss if the estimated recoverable amount of an asset or its cash generating unit is lower than its carrying amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

In respect of other asset, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h. Financial instruments

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

Financial assets

Initial recognition and measurement

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

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.

Debt instrument at FVTOCI

A ‘debt instrument’ is measured as at FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all the changes in the profit or loss.

Equity instruments

All equity instruments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present subsequent changes in the fair value in OCI. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, including foreign exchange gain or loss and excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to profit or loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the profit or loss.

Derecognition

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

· The contractual rights to receive cash flows from the asset have expired, or

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

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

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound financial instruments

The component parts of compound financial instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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 and lease liabilities, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred principally for the purpose of repurchasing in the near term or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For instruments not held-for-trading financial liabilities designated as at FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss, in which case these effects of changes in credit risk are recognised in profit or loss. These gains/ loss are not subsequently transferred to profit or loss. All other changes in fair value of such liability are recognised in the statement of profit or loss.

Financial liabilities subsequently measured at amortised cost

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

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

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. If not designated as at FVTPL, are subsequently measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount initially recognised less cumulative amount of income recognised.

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.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

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.

i. 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 5-15 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (g) 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 in substance 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 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.

j. Inventories

Inventories consisting of raw materials and packing materials, work-in-progress, stores and spares and finished goods are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method.

Cost of raw materials and packing materials, stores and spares includes cost of purchases and other costs incurred in bringing the inventories to its present location and condition.

Cost of work-in-progress and finished goods comprises direct material, direct labour and an appropriate proportion of variable and fixed overhead expenditure.

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 slow moving, 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.

k. Cash and cash equivalents

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

l. 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.

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.

m. 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. The Company has generally concluded that it is the principal in its revenue arrangements, since it is the primary obligor in all of its revenue arrangement, as it has pricing latitude and is exposed to inventory and credit risks. Revenue is stated net of goods and service tax and net of returns, chargebacks, rebates and other similar allowances. These are calculated on the basis of historical experience and the specific terms in the individual contracts.

In determining the transaction price, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any). The Company estimates variable consideration at contract inception until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors.

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 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 under the contract.

Rendering of services

Revenue from services rendered is recognised in the profit or loss as the underlying services are performed. Upfront non-refundable payments received are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

n. 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.

o. 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 at the earlier of the date when the Company can no longer withdraw the offer of those benefits and when the entity recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of termination benefits.

Short-term and Other long-term employee benefits

Accumulated leave, which is expected to be utilised within the next 12 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.

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.

p. 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. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

q. 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.

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.

r. Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its equity shares. Basic EPS is calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

The number of equity shares and potentially dilutive 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.

2.3 Recent Accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company:
The Ministry of Corporate Affairs (“MCA”) notifies new standards or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2021.

SUN PHARMACEUTICAL MEDICARE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

NOTE : 3 (a)
PROPERTY, PLANT AND EQUIPMENT

₹ in Million

Particulars	Plant and equipment	Vehicles	Office equipment	Furniture and fixtures	Total
At cost					
As at April 01, 2019	1,918.3	5.3	1.1	123.0	2,047.7
Additions	540.8	-	0.1	16.9	557.8
Disposals	6.9	-	-	2.2	9.1
As at March 31, 2020	**2,452.2**	**5.3**	**1.2**	**137.7**	**2,596.4**
Additions	177.6	-	0.6	5.0	183.2
Disposals	25.3	-	-	0.3	25.6
As at March 31, 2021	**2,604.5**	**5.3**	**1.8**	**142.4**	**2,754.0**
Accumulated depreciation					
As at April 01, 2019	139.6	1.6	0.2	9.9	151.3
Depreciation expense	167.2	1.0	0.3	13.5	182.0
Disposals	0.8	-	-	0.4	1.2
As at March 31, 2020	**306.0**	**2.6**	**0.5**	**23.0**	**332.1**
Depreciation expense	202.3	1.0	0.2	15.0	218.5
Disposals	5.2	-	-	0.3	5.5
As at March 31, 2021	**503.1**	**3.6**	**0.7**	**37.7**	**545.1**
Net book value					
As at March 31, 2020	**2,146.2**	**2.7**	**0.7**	**114.7**	**2,264.3**
As at March 31, 2021	**2,101.4**	**1.7**	**1.1**	**104.7**	**2,208.9**

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

₹ in Million

	Buildings	Leasehold improvements	Total
As at April 01, 2019	-	-	-
Addition on account of transition to Ind AS 116	135.7	-	135.7
Addition	-	4.7	4.7
Disposals	-	-	-
As at March 31, 2020	**135.7**	**4.7**	**140.4**
Addition	-	3.6	3.6
Disposals	-	-	-
As at March 31, 2021	**135.7**	**8.3**	**144.0**
Accumulated depreciation			
As at April 01, 2019	-	-	-
Depreciation expense	9.3	0.1	9.4
Disposals	-	-	-
As at March 31, 2020	**9.3**	**0.1**	**9.4**
Depreciation expense	9.3	0.2	9.5
Disposals	-	-	-
As at March 31, 2021	**18.6**	**0.3**	**18.9**
Net book value			
As at March 31, 2020	**126.4**	**4.6**	**131.0**
As at March 31, 2021	**117.1**	**8.0**	**125.1**

For details of Ind AS 116 - 'Leases' disclosure refer note 36.

NOTE : 4
OTHER FINANCIAL ASSETS (NON-CURRENT)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Security deposits	11.9	11.9
	11.9	**11.9**

NOTE : 5
DEFERRED TAX ASSETS (NET)

₹ in Million

Particulars	Opening balance as at April 01, 2020	Recognised in the statement of profit and loss	Recognised in other comprehensive income	Closing balance as at March 31, 2021
Deferred tax (liabilities) / assets in relation to:				
Difference between written down value of property plant and equipment as per books of accounts and income tax	(139.3)	(21.6)	-	(160.9)
Expenses claimed for tax purpose on payment basis	14.4	(2.7)	1.6	13.3
Allowance for doubtful debts	-	5.6	-	5.6
Unabsorbed depreciation / carried forward losses	124.9	17.1	-	142.0
	-	**(1.6)**	**1.6**	**-**

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Unused tax losses for which no deferred tax assets have been recognised are attributable to the following :		
Tax losses *	1,892.2	1,333.6
Unabsorbed depreciation	1,213.1	854.4
	3,105.3	**2,188.0**

* Unused tax losses will expire from financial year 2025-26 to 2029-30

NOTE : 6
INCOME TAX ASSETS (NON-CURRENT)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Advance income tax	24.9	16.6
	24.9	**16.6**

NOTE : 7
OTHER ASSETS (NON-CURRENT)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Capital advances	3.9	29.3
	3.9	**29.3**

NOTE : 8
INVENTORIES

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Valued of lower of cost and net realisable value		
Raw materials and packing materials	365.5	195.2
Work-in-progress	21.5	12.2
Finished goods	156.2	27.8
Stores and spares	83.4	90.4
	626.6	**325.6**

(i) Inventory write downs are accounted considering the nature of inventory, estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products as well as the provisioning policy. Write downs of inventories amounted to ₹ 137.7 Million (March 31, 2020: ₹ 153.6 Million). The changes in write downs are recognised as an expense in the statement of profit and loss.

(ii) The cost of inventories recognised as an expense is disclosed in note 23, 24 and 27.

NOTE : 9
TRADE RECEIVABLES

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured		
Considered good	450.0	74.8
Credit impaired	21.4	-
	471.4	**74.8**
Less : Allowance for doubtful debts (expected credit loss allowance)	(21.4)	-
	450.0	**74.8**

NOTE : 10
CASH AND CASH EQUIVALENTS

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Balances with banks		
In current accounts	6.8	5.5
Cash on hand	0.1	0.2
	6.9	**5.7**

NOTE : 11
LOANS (CURRENT)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Loan to employees	4.2	2.9
	4.2	**2.9**

NOTE : 12
OTHER ASSETS (CURRENT)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured considered good		
Balances with government authorities *	696.3	636.2
Advances for supply of goods and services	12.3	33.7
Prepaid expenses	4.0	5.1
	712.6	**675.0**

* includes balance of goods and services tax

NOTE : 13
EQUITY SHARE CAPITAL

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	₹ in Million	Number of shares	₹ in Million
Authorised share capital				
Equity shares of ₹ 10 each	250,000	2.5	250,000	2.5
	250,000	**2.5**	**250,000**	**2.5**
Issued, subscribed and fully paid up				
Equity shares of ₹ 10 each	250,000	2.5	250,000	2.5
	250,000	**2.5**	**250,000**	**2.5**

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

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Number of shares	₹ in Million	Number of shares	₹ in Million
Opening balance	250,000	2.5	250,000	2.5
Add : shares allotted during the year	-	-	-	-
Closing balance	**250,000**	**2.5**	**250,000**	**2.5**

(b) Details of shareholders holding more than 5% in the Company / Shares held by holding company

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	% of holding	Number of shares	% of holding
Sun Pharma Laboratories Limited	250,000	100%	250,000	100%

(c) Rights, preference and restrictions attached to equity shares:
The equity shares of the Company, having par value of ₹ 10 per share, rank pari passu in all respects including voting rights and entitlement to dividend.

(d) No equity share have been issued as bonus or shares issued for consideration other than cash or bought back during the period of five years immediately preceding the reporting date.

NOTE : 14
OTHER EQUITY

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Reserve and surplus		
Retained earnings	(2,751.2)	(1,883.9)
	(2,751.2)	**(1,883.9)**

Refer statement of changes in equity for detailed movement in other equity balance

NOTE : 15
BORROWINGS (NON-CURRENT)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured		
Loan from related parties (refer note 37 and 44)	6,751.1	-
Lease liabilities (refer note 36)	131.2	133.5
	6,882.3	**133.5**

NOTE : 16
PROVISIONS (NON-CURRENT)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Employee benefits (refer note 35)	25.7	26.8
	25.7	**26.8**

NOTE : 17
BORROWINGS (CURRENT)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured		
Loan from related parties [repayable on demand (refer note 37)]	-	5,195.2
	-	**5,195.2**

NOTE : 18
OTHER FINANCIAL LIABILITIES (CURRENT)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Current maturities of long-term lease liabilities (refer note 36)	2.3	1.5
Payable on purchase of property, plant and equipment	26.5	50.6
Payable to employees	30.1	28.0
Security deposits	0.6	0.6
	59.5	**80.7**

NOTE : 19
OTHER CURRENT LIABILITIES

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory remittances	42.6	51.3
Advance from customers	0.6	-
	43.2	**51.3**

NOTE : 20
PROVISIONS (CURRENT)

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Employee benefits (refer note 35)	14.3	10.3
	14.3	**10.3**

NOTE : 21
REVENUE FROM OPERATIONS

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Revenue from contracts with customers (refer note 40)	1,078.3	713.0
Other operating revenues	309.1	86.2
	1,387.4	**799.2**

NOTE : 22
OTHER INCOME

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Interest income on :		
Loans at amortised cost	0.2	0.2
Others	0.7	0.5
Total Interest income	**0.9**	**0.7**
Net gain on sale of property, plant and equipment	-	2.4
Insurance claim	1.5	-
Net gain on foreign currency transactions	5.0	-
Miscellaneous income	0.6	-
	8.0	**3.1**

NOTE : 23
COST OF MATERIALS CONSUMED

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Raw materials and packing materials		
Inventories at the beginning of the year	195.2	362.8
Purchases during the year	637.4	345.3
Inventories at the end of the year	(365.5)	(195.2)
	467.1	**512.9**

NOTE : 24
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Inventories at the beginning of the year	39.9	35.1
Inventories at the end of the year	(177.7)	(40.0)
	(137.8)	**(4.9)**

NOTE : 25
EMPLOYEE BENEFITS EXPENSE

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Salaries, wages and bonus	320.8	294.0
Contribution to provident and other funds (*) (refer note 35)	25.2	21.7
Staff welfare expenses	34.6	23.6
	380.6	**339.3**

* includes gratuity expense of ₹ 8.6 million (March 31, 2020 : ₹ 8.3 million)

NOTE : 26
FINANCE COSTS

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Interest expense for financial liabilities carried at amortised cost	455.1	348.4
Interest expense others	11.5	11.6
	466.6	**360.0**

NOTE : 27
OTHER EXPENSES

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Consumption of materials, stores and spare parts	360.2	315.8
Conversion and other manufacturing charges	56.0	56.3
Power and fuel	218.2	215.4
Rent	0.5	0.5
Rates and taxes	25.8	7.9
Insurance	18.3	9.3
Repairs and maintenance	128.4	135.4
Printing and stationery	6.7	6.5
Travelling and conveyance	2.5	5.4
Freight outward and handling charges	7.1	8.0
Communication	1.7	1.9
Sundry balances written off, net	0.2	0.9
Provision for doubtful trade receivables	21.4	-
Professional, legal and consultancy	4.1	2.4
Net loss on sale of property, plant and equipment	2.0	-
Net loss on foreign currency transactions	-	1.7
Payments to auditors (net of input credit, wherever applicable)		
As audit fees	0.9	1.0
Reimbursement of expenses (₹ 29,328)	-	0.0
Miscellaneous expenses	10.5	31.4
	864.5	**799.8**

NOTE : 28
TAX RECONCILIATION

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Reconciliation of tax expense		
Loss before tax	**(873.6)**	**(1,396.2)**
Enacted income tax rate (%) #	26.0%	26.0%
Tax expense	(227.1)	(363.0)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	227.1	363.0
Effect of tax on Other Comprehensive Income	(1.6)	0.1
Total tax expense recognised in the statement of profit and loss	**(1.6)**	**0.1**

The tax rate used for reconciliation above is the corporate tax rate of 26.0% (March 31, 2020: 26.0%) at which the company is liable to pay tax on taxable income under the Indian Tax Law.

NOTE : 29
CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

₹ in Million

	Particulars	As at March 31, 2021	As at March 31, 2020
i	**Contingent liabilities**		
	There are no contingent liabilities on pending litigations or proceedings against the Company that could result in a potential claim, liability or cash outgo of a material nature on the Company.	-	-
ii	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account (net of advances)	162.4	331.0

NOTE : 30
CATEGORIES OF FINANCIAL INSTRUMENTS

₹ in Million

Particulars	As at March 31, 2021		
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost
Financial assets			
Loan to employees	-	-	4.2
Security deposits	-	-	11.9
Trade receivables	-	-	450.0
Cash and cash equivalents	-	-	6.9
	-	**-**	**473.0**
Financial liabilities			
Borrowings	-	-	6,751.1
Lease liabilities	-	-	131.2
Trade payables	-	-	335.0
Current maturities of long-term lease liabilities	-	-	2.3
Payables on purchase of property, plant and equipment	-	-	26.5
Payable to employees	-	-	30.1
Security deposits	-	-	0.6
	-	**-**	**7,276.8**

Particulars	As at March 31, 2020		
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost
Financial assets			
Loan to employees	-	-	2.9
Security deposits	-	-	11.9
Trade receivables	-	-	74.8
Cash and cash equivalents	-	-	5.7
	-	**-**	**95.3**
Financial liabilities			
Borrowings	-	-	5,195.2
Lease liabilities	-	-	133.5
Trade payables	-	-	217.7
Current maturities of long-term lease liabilities	-	-	1.5
Payables on purchase of property, plant and equipment	-	-	50.6
Payable to employees	-	-	28.0
Security deposits	-	-	0.6
	-	**-**	**5,627.1**

NOTE : 31
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 as presented on the face of the financial statements .The Company's objective for capital management is to maintain an optimum overall financial structure.

Debt equity ratio

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Debt (includes non-current, current borrowings and current maturities of long-term debt)	6,884.6	5,330.2
Total equity, including reserves	(2,748.7)	(1,881.4)
Net debt to total equity ratio	-250%	-283%

NOTE : 32
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

₹ 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	448.9	48.3
180 - 365 days	0.7	4.8
beyond 365 days	21.8	21.7
Total	**471.4**	**74.8**

₹ 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	-	-
Addition	21.4	-
Recoveries	-	-
Balance at the end of the year	**21.4**	-

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 has unutilised working capital lines from banks of ₹ 300.0 Million as on March 31, 2021 (March 31, 2020 : ₹ Nil).

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2021 and as at March 31, 2020

₹ in Million

Particulars	Less than 1 year	1 - 3 years	More than 3 years	As at March 31, 2021
Borrowings	-	6,751.1	-	6,751.1
Lease liabilities	2.3	0.1	131.1	133.5
Trade payables	335.0	-	-	335.0
Other financial liabilities	57.2	-	-	57.2
	394.5	**6,751.2**	**131.1**	**7,276.8**
Particulars	**Less than 1 year**	**1 - 3 years**	**More than 3 years**	**As at March 31, 2020**
Borrowings	5,195.2	-	-	5,195.2
Lease liabilities	1.5	8.9	124.6	135.0
Trade payables	217.7	-	-	217.7
Other financial liabilities	79.2	-	-	79.2
	5,493.6	**8.9**	**124.6**	**5,627.1**

Foreign exchange risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars, Euros). As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Company's revenues and expenses measured in Indian rupees may decrease or increase and vice-versa. The exchange rate between the Indian rupee and these foreign currencies have changed substantially in recent periods and may continue to fluctuate substantially in the future.

a) Foreign currency risk exposure

₹ in Million

Particulars	As at March 31, 2021			
	USD	**EUR**	**Others**	**Total**
Financial assets				
Trade receivables	-	-	-	-
	-	**-**	**-**	**-**
Financial liabilities				
Trade payables	44.7	17.0	2.8	64.4
	44.7	**17.0**	**2.8**	**64.4**
Particulars	**As at March 31, 2020**			
	USD	**EUR**	**Others**	**Total**
Financial assets				
Trade receivables	-	0.8	-	0.8
	-	**0.8**	**-**	**0.8**
Financial liabilities				
Trade payables	56.9	33.8	16.5	107.2
	56.9	**33.8**	**16.5**	**107.2**

b) Sensitivity
For the years ended March 31, 2021 and March 31, 2020, every 5% strengthening in the exchange rate between the Indian rupee and the respective currencies for the above mentioned financial assets/liabilities would decrease the Company's loss and increase the Company's equity by approximately ₹ 3.2 Million and ₹ 5.3 Million respectively. A 5% weakening of the Indian rupee and the respective currencies would lead to an equal but opposite effect.
In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

NOTE : 33
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	58.8	40.5
	58.8	**40.5**

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 : 34
LOSS PER EQUITY SHARE

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Loss for the year (₹ in million) - used as numerator for calculating loss per share	(872.0)	(1,396.3)
Weighted average number of shares used in computing basic and diluted loss per equity share	250,000	250,000
Nominal value per share (in ₹)	10	10
Basic and Diluted loss per equity share (in ₹)	(3,488.0)	(5,585.4)

NOTE : 35
EMPLOYEE BENEFIT PLANS

a. Defined contribution plan

Contributions are made to Regional Provident Fund (RPF), Family Pension Fund, Employees State Insurance Scheme (ESIC) and other Funds which covers all regular employees. While both the employees and the Company make predetermined contributions to the Provident Fund and ESIC, 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, aggregate to ₹ 16.6 Million (March 31, 2020: ₹ 15.5 Million)

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Contribution to Provident Fund and Family Pension Fund	16.1	15.1
Contribution to ESIC and Employees Deposit Linked Insurance (EDLI)	0.5	0.4
Contribution to Labour Welfare Fund ₹ 5,484 (March 31, 2020 ₹ 7,948)	0.0	0.0
Total	**16.6**	**15.5**

b. Defined benefit plan

(i) Gratuity
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, as amended from time to time. 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.

(ii) Other long term benefit plan - Compensated absences

Actuarial valuation for compensated absences is done as at the year end and the provision is made as per Company rules with corresponding charge to the statement of profit and loss amounting to ₹ 9.5 Million (March 31,2020: ₹ 3.6 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 or losses on changes in actuarial assumptions relating to defined benefit obligation are recognised in other comprehensive income whereas gains and loses in respect of other long term employee benefit plans are recognised in the statement of profit and loss.

₹ in Million

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
	Gratuity (Funded)	Gratuity (Funded)
Expense recognised in the statement of profit and loss		
Current service cost	7.6	7.1
Interest cost	3.4	2.9
Expected returns on plan assets	(2.4)	(1.7)
Expense charged to the statement of profit and loss	**8.6**	**8.3**
Measurement of defined benefit obligation recognised in other comprehensive income		
Actuarial loss / (gain) on defined benefit obligation	(6.3)	0.5
Expense / (income) charged to other comprehensive income	**(6.3)**	**0.5**
Reconciliation of defined-benefit obligation		
Obligation as at the beginning of the year	**51.6**	**41.1**
Current service cost	7.6	7.1
Interest cost	3.4	2.9
Actuarial (gains) / losses on obligations		
- due to change in demographic assumptions	(4.5)	0.2
- due to change in financial assumptions [March 31, 2020 ₹ (17,693)]	(0.7)	(0.0)
- due to experience	(1.1)	0.3
Benefits paid	(0.5)	-
Obligation as at the year end	**55.8**	**51.6**
Reconciliation of liability / (asset) recognised in the Balance sheet		
Present value of commitments (as per Actuarial Valuation)	55.8	51.6
Fair value of plan assets	43.6	36.7
Net liability recognised in the financial statement	**12.2**	**14.9**
Reconciliation of plan assets		
Plan assets as at the beginning of the year	**36.7**	**23.7**
Interest Income	2.4	1.7
Employer's contribution during the year	5.0	11.3
Benefits paid	(0.5)	-
Plan assets as at the year end	**43.6**	**36.7**

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
	Gratuity (Funded)	Gratuity (Funded)
Significant actuarial assumptions:		
Discount rate	6.25%	6.50%
Expected return on plan assets	6.25%	6.50%
Expected rate of salary increase	9.00%	9.38%
Mortality	100% of Indian Assured Lives Mortality (2012-14)	100% of Indian Assured Lives Morality (2012-14)
Withdrawal	13.45%	8.00%
Retirement age (years)	60 years	60 years
Sensitivity analysis:		
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	(3.6)	(4.6)
Delta effect of -1% change in discount rate	3.9	5.5
Delta effect of +1% change in salary escalation rate	3.8	5.3
Delta effect of -1% change in salary escalation rate	(3.5)	(4.5)
Delta effect of +1% change in rate of employee turnover	(0.6)	(1.0)
Delta effect of -1% change in rate of employee turnover	0.6	1.2
Maturity analysis of projected benefits obligation for next		
1st year	6.4	3.1
2nd year	6.5	3.4
3rd year	6.6	3.7
4th year	5.9	4.2
5th year	5.9	3.8
Thereafter	60.4	93.9
The major categories of plan assets as a percentage of total plan assets are as under		
Insurer managed funds	100%	100%
The contribution expected to be made by the Company for gratuity, during financial year ending March 31, 2022 is ₹ 19.0 Million [March 31, 2021: ₹ 22.4 Million]		

NOTE : 36
LEASES

Effective April 01, 2019, the Company has adopted Ind AS 116 "Leases", and applied to all lease contracts existing on April 01, 2019 using the modified retrospective method. Accordingly, 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 excercised judgement in determining whether extension and termination options are reasonably certain to be excercised. Expenses relating to short-term leases and low value assets for the year ended March 31, 2021 is ₹ 0.5 Million [March 31, 2020: ₹ 0.5 Million]

₹ in Million

Particulars	As at March 31, 2021	As at March 31, 2020
Lease liabilities - Maturity analysis - contractual undiscounted Cash flows		
Not later than one year	13.7	13.0
Later than one year and not later than five years	60.1	57.7
Later than five years	161.2	177.3
	235.0	**248.0**

₹ in Million

	Year ended March 31, 2021	Year ended March 31, 2020
Movement of lease liabilities		
Opening balance	135.0	-
Addition on account of transition to Ind AS 116	-	135.7
Interest on lease liabilities	11.5	11.6
Payment towards lease liabilities	(13.0)	(12.3)
Closing balance	**133.5**	**135.0**

NOTE : 37
RELATED PARTY DISCLOSURES (Ind AS 24) AS PER ANNEXURE "A"

NOTE : 38

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 financial statements when the Rules / Schemes thereunder are notified.

NOTE : 39
SEGMENT REPORTING

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

NOTE : 40
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	1,078.3	713.0
Less : Provision for sales return	-	-
Revenue from contract with customers	**1,078.3**	**713.0**

₹ in Million

Particular	As at March 31, 2021	As at March 31, 2020
Contract balances		
Trade receivables	450.0	74.8
Contract liabilities	0.6	-

Contract liabilities are on account of the upfront revenue received from customer for which performance obligation has not yet been completed.
The performance obligation is satisfied when control of the goods or services are transferred to the customers based on the contractual terms. Payment terms with customers vary depending upon the contractual terms of each contract.

NOTE : 41

As on March 31, 2021, the Company’s accumulated loss of ₹ 2751.3 Million (March 31, 2020: ₹ 1,883.9 Million) exceeds the shareholders’ funds. Out of the net loss for the year of ₹ 872.0 Million (March 31, 2020: ₹ 1,396.3 Million), an amount of ₹ 466.6 Million (March 31, 2020: ₹ 360 Million) is interest on debt and ₹ 228.0 Million (March 31, 2020: ₹ 191.4 Million) is on account of depreciation and amortization expense, being an expenditure of a non-cash nature. As the Company is assured of continuing operational and financial support from its ultimate holding company, these financial statements have been prepared on the ‘going concern’ assumption.

NOTE : 42

The Company continues to monitor the impact of 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, assessment of impairment of goodwill and intangibles, investments and inventory, based on the information available to date, while preparing the Company’s financial results as of and for the year ended March 31, 2021.

NOTE : 43
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:

a) Litigations [Refer note 2(2.2) (l) and note 29]
b) Revenue [Refer note 2(2.2)(m) and note 40]

NOTE : 44
Unsecured loan from related party ₹ 6,751.1 Million (March 31, 2020: ₹ Nil). The loan is repayable by March 30, 2024. The loan has been availed at 6.50%

NOTE : 45
Previous year's figure has been regrouped / reclassified, wherever necessary, to conform to this year's classification.

As per our report of even date

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

per Nishant Mankodi
Partner
Membership no.: 107515
Date: May 25, 2021

For and on behalf of the Board of Directors of
SUN PHARMACEUTICAL MEDICARE LIMITED

Sailesh Trambaklal Desai
Director
DIN: 00005443

Ashok Indulal Bhuta
Director
DIN: 00065307

Rakeshchandra Jagdishprasad Sinha
Director
DIN: 07340998
Date: May 25, 2021

ANNEXURE "A"

Disclosure pursuant to Ind AS 24 'Related Party Disclosures':

(A) Name of related parties and description of relationship:

(i) Ultimate Holding Company
Sun Pharmaceutical Industries Limited

(ii) Holding Company
Sun Pharma Laboratories Limited

(iii) Fellow subsidiaries
Sun Pharmaceutical Industries Inc
Sun Pharmaceutical Industries (Europe) B.V.
Sun Pharma ANZ Pty Ltd (Formerly Ranbaxy Australia Pty Ltd)
Taro Pharmaceutical Industries Ltd
Sun Pharma Japan Ltd
Sun Pharmaceuticals Germany GmbH
Terapia S.A.
Sun Pharma Laboratorios S.L.U (Formerly Laborat Ranbaxy SLU)
Zenotech Laboratories Limited
Sun Pharma Distributors Ltd

(iv) Others (Entities in which the KMP and relatives of KMP have control or significant influence)
Sun Pharma Advanced Research Company Ltd
Aditya Medisales Limited

(B) Summary of the transactions with related parties as per Ind AS- 24

₹ in Million

Type of transaction	Year ended March 31, 2021	Year ended March 31, 2020
Purchase of goods	**83.1**	**95.6**
Ultimate Holding Company	80.1	87.9
Holding Company	3.0	7.4
Fellow subsidiaries	-	0.3
Receiving of service	**8.8**	**-**
Ultimate Holding Company	8.8	-
Purchase of property, plant and equipment	**2.5**	**0.3**
Ultimate Holding Company	2.5	0.3
Revenue from contracts with customers, net	**1,076.9**	**698.1**
Ultimate Holding Company	1,041.6	666.9
Holding Company	32.6	3.6
Fellow subsidiaries	2.7	27.6
Sale of property, plant and equipment	**15.4**	**7.9**
Ultimate Holding Company	13.4	7.2
Holding Company	2.0	0.7
Others (March 31, 2020: ₹ 35,000)	-	0.0
Rendering of service	**301.9**	**82.8**
Ultimate Holding Company	301.9	82.7
Others	-	0.1
Reimbursement of expenses paid	**22.8**	**32.3**
Ultimate Holding Company (₹ 13,579)	0.0	-
Fellow subsidiaries	22.8	31.6
Others	-	0.7
Reimbursement of expenses received	**-**	**1.1**
Ultimate Holding Company	-	0.7
Others	-	0.4
Loan taken	**7,978.0**	**1,398.5**
Ultimate Holding Company	1,228.0	1,398.5
Holding Company	6,750.0	-
Loan repaid	**6,423.2**	**263.4**
Ultimate Holding Company	5,445.2	-
Holding Company	978.0	263.4
Interest expense	**455.1**	**348.4**
Ultimate Holding Company	380.7	270.7
Holding Company	74.4	77.7

(C) Balances with related parties as per Ind AS- 24

₹ in Million

Type of transaction	As at March 31, 2021	As at March 31, 2020
Trade receivables	**432.3**	**35.2**
Ultimate Holding Company	397.6	33.7
Holding Company	34.7	-
Fellow Subsidiaries	-	1.5
Trade payables	**72.2**	**70.2**
Holding Company	-	6.4
Fellow Subsidiaries	72.2	63.3
Others	-	0.5
Loan taken	**6,751.1**	**5,195.2**
Ultimate Holding Company	-	4,217.2
Holding Company	6,751.1	978.0

(D) Terms and conditions of transactions with related parties

The transactions with 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 to or received for any related party receivables or payables.