

AUDITOR'S REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF FDC LIMITED

INDEPENDENT AUDITORS' REPORT

To the Members of FDC Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of FDC Limited ("the Company"), which comprise the standalone balance sheet as at 31st March 2019, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "Standalone Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("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 31st March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Description of Key Audit Matters

Revenue recognition

The Company recognises revenue from the sales of pharmaceutical products when control over goods is transferred to a customer. The actual point in time when revenue is recognised varies depending on the specific terms and conditions of the sales contracts entered into with customers. The Company has a large number of customers operating in various geographies and sales contracts with customers have a variety of different terms relating to the recognition of revenue, the entitlement to sales discounts, the right of return and price adjustments.

We have identified recognition of revenue as a key audit matter as revenue is a key performance indicator and there is a risk of revenue being fraudulently overstated arising from pressure to achieve performance targets as well as meeting external expectations.

Litigations, claims and contingencies

See note 40 to the standalone financial statements

The Company operates in multiple jurisdictions in the pharmaceutical industry which is heavily regulated, resulting in increased exposure to litigation risk. The Company is involved in a number of litigations/ legal actions.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143 (10) of the Act. Our responsibilities under those SAs are further described in the Auditors' Responsibilities for the Audit of the Standalone 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 standalone 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 opinion on the standalone financial statements.

Key Audit Matters

Key audit matters ('KAM') are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

How the matter was addressed in our audit

Our procedures included the following:

- Assessing the appropriateness of the policies in respect of revenue recognition by comparing with applicable accounting standards;
- Evaluating the design, testing the implementation and operating effectiveness of the Company's internal controls including general IT controls and key IT application controls over recognition of revenue and measurement of discounts and schemes in the system;
- Performing substantive testing (including year-end cut-off testing) by selecting samples of revenue transactions recorded during and after the year and verifying the underlying documents, which included sales invoices/ contracts and dispatch/shipping documents. Obtaining and assessing appropriateness of positions for returns and incentives;
- Testing controls over review of contracts and revenue recognition; and
- Assessing manual journals posted to revenue to identify unusual items not already covered.

How the matter was addressed in our audit

Our procedures included the following:

- Evaluating the design and testing the operating effectiveness of controls in respect of the recognition and measurement of provisions towards litigation and claims;

These provisions are based on judgements and accounting estimates made by management reflect in determining the likelihood and magnitude of an unfavorable outcome on the claims. Accordingly, unexpected adverse outcomes could significantly impact the Company's reported profit and balance sheet position.

- Corroborating management's assessment by making enquiries with the in-house legal compliance officer;
- verifying correspondence, orders and appeals in respect of open litigation;
- Obtaining confirmations from external lawyers where relevant and/ or evaluating legal opinions obtained by the management;
- We have also involved our direct tax experts to evaluate management's assessment of possible outcome of dispute;
- Evaluating significant adjustments to legal provisions recorded during the year to determine if they were indicative of management bias; and
- Evaluating adequacy of disclosures given in the financial statements.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the standalone 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 standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone 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.

Management's Responsibility for the Standalone Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/ loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

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 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are 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.

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ('the Order'), issued by the Central Government in terms of Section 143 (11) of the Act, we give in the "Annexure A", a statement on the matters specified in the paragraphs 3 and 4 of the Order to the extent applicable.

(A) 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 standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of

cash flows dealt with by this Report are in agreement with the books of account;

- d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act;
 - e) On the basis of the written representations received from the directors as on 31st March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2019 from being appointed as a director in terms of Section 164(2) of the Act; and
 - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 as at 31st March 2019 on its financial position in its standalone financial statements – Refer note 40 to the standalone financial statements;
 - ii) The Company did not have any other long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31st March 2019; and
 - iv) The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8th November 2016 to 30th December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31st March 2019.
- (C) With respect to the matter to be included in the Auditors' Report under Section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

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

VIKAS R. KASAT
Partner
Membership No: 105317

Place : Mumbai
Date : May 24, 2019

Annexure A to the Independent Auditors' Report – 31st March 2019

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31st March 2019, we report the following:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner at reasonable intervals. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets. Pursuant to the programme, certain fixed assets were physically verified by the Management during the year. In our opinion, and according to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has applied to the relevant authorities, for transfer of freehold land acquired pursuant to the Scheme of amalgamation with Anand Synthochem Limited, in its name. Title deeds of other immoveable properties (other than leasehold land) as disclosed in note 2 to the standalone financial statements, are held in the name of the Company. In respect of leasehold lands, we have verified the lease agreements duly registered with the appropriate authorities as disclosed in note 2 to the standalone financial statements.
- (ii) The inventory, except for stocks lying with third parties, has been physically verified by the management during the year. For stocks lying with third parties at the year-end, written confirmations have been obtained. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material and these have been properly dealt with in the books of accounts.
- (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 Act. Accordingly, paragraph 3(iii) (a), (b) and (c) of the Order is not applicable to the Company.
- (iv) In our opinion and according to the information and explanation given to us, the Company has not granted any loans, or provided any guarantees or security to the parties covered under Section 185 of the Act. The Company has complied with the provisions of Section 186 of the Act in respect of the loans and investments made. The Company has not provided any guarantees and security to the parties covered under Section 186 of the Act.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed

there under. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.

- (vi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 148 (1) of the Act in relation to products manufactured, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, Duty of Customs, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, Duty of Customs, Cess and other material statutory dues were in arrears as at 31st March 2019 for a period of more than six months from the date they became payable.

Also, refer note 41 to the standalone financial statements.

- (b) According to the information and explanations given to us, there are no dues of, Duty of Customs which have not been deposited with the appropriate authorities on account of dispute. According to the information and explanations given to us, there are no dues of Income Tax, Goods and Service Tax, Duty of Excise, Service Tax and Value Added Tax as at 31st March 2019, which have not been deposited with the appropriate authorities on account of any dispute, except as stated below:

Name of the Statute	Nature of the Dues	Amount of demand under dispute (Rs. in lakhs)	Amount paid under protest (Rs. in lakhs)	Amount under dispute not deposited (Rs. in lakhs)	Period to which the amount relates	Forum where the dispute is pending
Gujarat Sales Tax Act / Uttar Pradesh Sales Tax Act / West Bengal Sales Tax Act / Maharashtra Sales Tax Act	Tax / Penalty / Interest	71.70	11.71	59.99	A.Y. 2002-03, 2003-04	Sales Tax Appellate Tribunal
		27.10	14.11	12.98	A.Y. 2010-11	Joint Commissioner (Appeals)
		19.10	-	19.10	A.Y. 2002-03, 2003, 2006-07	Revisional Board - Commercial Tax
Central Excise Act / Service Tax	Duty / Penalty / Interest	56.98	-	56.98	April 2000 – Dec 2001, Nov 2002 – June 2003, Dec 2003 – Oct 2004, April 2005 – Sep 2006, April 2007 – March 2008	Custom Excise & Service tax Appellate Tribunal
GST	Duty / Penalty / Interest	19.55	-	19.55	April 2017 - June 2017	Asst. Comm. CGST
		34.12	-	34.12	April 2005 - Sep 2005	Asst. Commissioner of Service Tax
Central Excise Act / Service Tax	Duty / Penalty / Interest	28.56	-	28.56	April 2005 – Sep 2006	High Court
Income-tax Act, 1961	Tax / Interest / Penalty	2,499.68	2,101.50	398.18	A.Y. 2009-10, 2010-11, 2012-13, 2013-14, 2015-16, 2016-17, 2017-18, 2018-19	Commissioner of Income tax (Appeals)

- (viii) In our opinion and according to the information and explanations given to us, and based on the records of the Company, the Company has not defaulted in the repayment of dues to the government. The Company does not have any loans or borrowings from any banks, financial institutions or debenture holders during the year.
- (ix) According to the information and explanations given to us and based on our examination of records of the Company, the Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) or term loans during the year.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor we have been informed of any such case by the management.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where

applicable and details of such transactions have been disclosed in the standalone financial statements as required by applicable accounting standards.

- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

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

VIKAS R. KASAT
Partner
Membership No: 105317

Place : Mumbai
Date : May 24, 2019

Annexure B to the Independent Auditors' Report on the standalone financial statements of FDC Limited for the year ended 31st March 2019

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph A(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to standalone financial statements of FDC Limited ("the Company") as of 31st March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31st March 2019, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 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 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 with reference to financial statements were 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

with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, 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 standalone 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 Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

A Company's internal financial controls with reference to 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 controls with reference to financial statements include 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 with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

VIKAS R. KASAT
Partner
Membership No: 105317

Place : Mumbai
Date : May 24, 2019