



Independent Auditors' Report

To the Members of
Alkem Laboratories Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Alkem Laboratories Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2020, 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

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 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Description of Key Audit Matter

Revenue recognition

The key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> The Company provides a right of return to its customers as a customary business practice. The initial revenue recognition is reduced taking into consideration the anticipated sales return for which a provision is created as underlying revenues are recognized. Due to the competitive business environment, the estimation of provision for anticipated sales return is done considering historical trend of actual returns and expected period over which such products could be returned which is inherently complex and judgmental. Accordingly, this was an area of focus for our audit. Revenue under the new standard is recognized when the control of the products being sold has been transferred to the customer. There is a risk of revenue being overstated at period ends as management to achieve its performance targets may recognize certain transactions as revenue though control may not have transferred to the customer as of the period end. This was an area of focus for us. Refer Note 2.9 of the standalone financial statements for details on accounting policy on revenue recognition. 	<p>To obtain sufficient and appropriate audit evidence our principal audit procedures included, amongst others</p> <ul style="list-style-type: none"> Evaluated the Company's revenue recognition policies, including those relating to anticipated sales returns by confirming compliance with applicable accounting standards. Tested design, implementation and operating effectiveness of the Company's general IT controls and key application controls over the Company's systems which governs recording of revenue, creation of new customers and key controls over revenue cut-off and sales return accruals in the general ledger accounting system. Performed substantive testing (including period end cut off testing) by selecting samples of revenue transactions recorded during the year, by verifying the underlying documents, which include sales/contracts and shipping documents to test evidence for transfer of control. Performed analysis of one-off sales to customers during the year. Performed testing by selecting samples relating to actual sales returns recorded during the year by verifying the relevant source documents and comparing the sales return trend with the parameters used in the Company's estimation of sales return provision. We have also verified the historical accuracy of the Company's estimates by comparing actual return trends and comparing that with provisions in earlier periods. We assessed significant manual journals posted to revenue to identify unusual items.

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 *Auditor's 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 are those matters that, in our professional judgment, 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.

Independent Auditors' Report (Continued)

Assessment of recoverability of the carrying value of investment in subsidiaries

The key audit matter	How the matter was addressed in our audit
<p>As at 31 March 2020, the Company has investment in subsidiaries. The carrying value of investment in subsidiaries will be recovered through future cash flows and accordingly there is inherent risk that these assets may be impaired if these cash flows do not meet the Company's expectations. Refer Note 2.4 and 3.2 in the standalone financial statements for details of accounting policies on impairment of investment in subsidiaries and related disclosures.</p> <p>Valuation of investment in subsidiaries is a key audit matter due to:</p> <ul style="list-style-type: none"> The inherent complexity in auditing the forward-looking assumptions applied to determine recoverable value given the significant judgements involved. The key assumptions in the cash flow models include the forecast revenue, margins, terminal growth and discount rates. 	<p>To obtain sufficient and appropriate audit evidence our principal audit procedures included, amongst others</p> <ul style="list-style-type: none"> Tested operating effectiveness of controls over Company's review of impairment analysis. Assessed the accuracy of prior period cash flow forecasts of the Company by reference to actual performance. Using our knowledge of the Company and industry, challenged the significant assumptions and judgements used by the Company in its impairment assessment, specifically in relation to forecast revenue, margins, terminal growth rate and discount rates with the assistance of our valuation specialists. Performed sensitivity analysis of the key assumptions, including revenue growth rates, projected gross margins, and the discount rate applied in the recoverable value and considering the resulting impact on the impairment testing and whether there were any indicators of management bias in the selection of these key assumptions; Evaluated adequacy of disclosures, including disclosures of key assumptions, judgements and sensitivities.

Taxation and MAT credit asset

The key audit matter	How the matter was addressed in our audit
<p>The Company operates in complex tax jurisdictions including India with various tax exemptions available across regions and are subject to tax challenges and audits by local tax authorities. There are open tax matters under litigation with tax authorities.</p> <p>Judgement is required in assessing the level of provisions and disclosure of contingent liabilities required in respect of uncertain tax positions that reflect Company's best estimate of the most likely outcome based on the facts available.</p> <p>The Company pays minimum alternate tax (MAT) under section 115JB of the Income Tax Act, 1961. The MAT paid is available as an offset over a period of 15 years. The MAT credit is recognized as a deferred tax asset to be available for offset when the Company pays taxes under the normal provision of Income Tax Act, 1961. Refer note 2B(b) to the standalone financial statements.</p> <p>The recoverability of deferred tax asset on account of MAT credit requires significant judgment regarding the Company's estimation of future profitability and taxable income which will result in utilization of the MAT credit within the time limits available under the applicable Income tax laws.</p>	<p>To obtain sufficient and appropriate audit evidence our principal audit procedures included, amongst others</p> <ul style="list-style-type: none"> Tested the operating effectiveness of controls around the recording and re-assessment of tax provisions and disclosure of contingent liabilities. For uncertain tax positions, we read and analysed select correspondence with tax authorities, read Company's assessment and conclusion on likely eventual outcome. We also read opinion from third party experts, judgement. We used our tax specialists' expertise to assess the status of the ongoing tax litigations and uncertain tax positions in tax returns and their most likely outcome, basis expertise, industry outcomes and Company's own past outcomes in respect of similar matters. In respect of deferred tax assets (MAT credit entitlement), we evaluated the Company's assessment and conclusion in relation to for its utilization within the period allowed for carry forward and set off against forecasted taxable income streams. We assessed the income tax disclosures in note 3.7 to the standalone financial statements for compliance with applicable Ind AS.

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



Independent Auditors' Report (Continued)

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 and Board of Directors' 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) specified 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 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, the 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The 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 in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors 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

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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 the 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 paragraphs 3 and 4 of the Order, to the extent applicable.
2. (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 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 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 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 31 March 2020 on its financial position in its standalone financial statements - Refer Note 3.26 to the standalone 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.
 - iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2020
- (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 **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Sadashiv Shetty
Partner

Membership No. 048648
UDIN:20048648AAAAAY5806

Mumbai
5 June 2020

Annexure A to the Independent Auditor's Report

The annexure referred to in independent auditors' report to the members of the Company on the standalone financial statements for the year ended 31 March 2020. We report that:

- (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 program of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this program, a portion of the fixed assets were to be physically verified by the management during the year ended 31 March 2020. According to the information and explanations given to us, the Company has not been able to perform physical verification of certain fixed assets with carrying value aggregating ₹ 730 million due to continued lockdown due to COVID-19. Company does not expect any material discrepancies on verification of those fixed assets once the lockdown restrictions are removed.
- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable properties are held in the name of the company.
- (ii) The inventory, except goods-in-transit has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and book records were not material.
- (iii) In our opinion and 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) of the Order is not applicable to the Company.
- (iv) In our opinion and according to information and explanations 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 during the year. The Company has complied with the provisions of Section 186 of the Act, with respect to the investments made, loans, guarantees given to subsidiaries and securities given in respect of loan taken by the subsidiaries.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits in terms of directives issued by the Reserve Bank of India or under 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 records 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 Act, 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 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 of provident fund, employees' state insurance, profession tax, income-tax, goods and services tax, duty of custom, cess and other material statutory dues have been regularly deposited 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, profession tax, income-tax, goods and services tax, duty of custom, cess and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, goods and service tax, duty of customs, duty of excise and value added tax as at 31 March 2020 which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned in Enclosure I to this report.
- (viii) In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any loans or borrowings from financial institutions during the year and there are no dues to debenture holders during the year.
- (ix) In our opinion and according to the information and explanations given to us, the Company did not raise any money by way of initial public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- (x) As more fully explained in Note 3.44 to the financial statements, management has identified an instance

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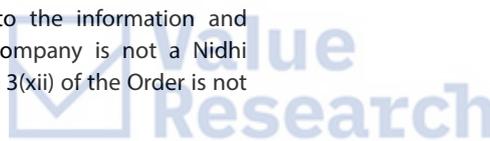
Annexure A to the Independent Auditor's Report (Continued)

wherein an employee of the Company was found to have perpetrated misappropriation of Company's fund aggregating ₹ 116.5 million. The Company has since recovered ₹ 83.8 million as at 31 March 2020 and has secured recovery of balance amount so misappropriated. Except for the said instance, during the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practice in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officer and employees, noticed or reported during the year, nor have we been informed of any such case by the Company's management.

- (xi) In our opinion and 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, the Company is in compliance with Section 177 and 188 of the Act were applicable. The details of such transactions have been disclosed in the standalone

financial statements as required by the applicable Indian Accounting Standards.

- (xiv) According to the information and explanations given to us and based on our examination of 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 records of the Company, the Company has not entered into any non-cash transactions with its directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.
- (xvi) 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 **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Sadashiv Shetty
Partner
Membership No. 048648
UDIN:20048648AAAAAY5806

Mumbai
5 June 2020

Annexure A to the Independent Auditor's Report (Continued)

Enclosure I to Annexure A to the Independent Auditor's Report – 31 March 2020

Name of the Statute	Nature of dues	Amount under dispute (₹ in million)	Amount paid under protest (₹ in million)	Financial year / year (s)	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty and Penalty	138.9	10.0	2006-2014	CESTAT
Central Excise Act, 1944	Excise Duty and Penalty	53.1	4.0	2015	Joint Secretary
Maharashtra VAT Act, 2002	Value Added Tax	47.4	12.9	2006-2015	Joint Dy. Commissioner of Sales Tax (Appeals)
Maharashtra VAT Act, 2002	Value Added Tax	65.5	4.7	2012-2014	Joint Commissioner of Sales Tax (Appeals)
Jharkhand-VAT Act 2005	Value Added Tax	6.2	4.2	2014-2016	Dy. Commissioner of Sales Tax (Appeals)
Kerala VAT Act, 2003	Value Added Tax	0.1	0.1	2018	Assistant state tax officer
West Bengal VAT Act, 2005	Value Added Tax	3.2	0.3	2015-2016	Senior Joint Commissioner, Corporate Division (Appellate Authority)
West Bengal VAT Act, 2005	Value Added Tax	2.8	0.3	2017-2018	Additional Commissioner of Sales Tax
Uttar Pradesh VAT Act, 2008	Value Added Tax	3.6	1.8	2016-2017	Joint commissioner of Commercial taxes -Circle-I
Gujarat VAT Act, 2003	Value Added Tax	0.1	-	2006-2007	Commissioner of Commercial Taxes Gujarat
Odisha Entry Tax Act, 1999	Entry Tax	0.2	0.1	2012-2014	Odisha Sales Tax Tribunal, Cuttack
Odisha VAT Act, 2004	Value Added Tax	1.3	0.1	2012-2018	Odisha Sales Tax Tribunal, Cuttack
Odisha VAT Act, 2004	Value Added Tax	1.0	0.0	2014-2016	Joint commission of Commercial Tax
Bihar VAT Act, 2005	Value Added Tax	0.7	0.2	1999-2001	Sales Tax Special circle for Re assessment
Bihar VAT Act, 2005	Value Added Tax	13.4	3.2	2010-2012	Joint commissioner of Commercial taxes (Appeals)
Central Sales Tax Act, 1956	Central Sales Tax	0.5	-	2014-15	Dy. Commissioner of Sales Tax (Appeals)
Central Sales Tax Act, 1956	Central Sales Tax	0.3	0.0	2014-2017	Joint commissioner of Commercial Tax
Central Sales Tax Act, 1956	Central Sales Tax	1.5	0.2	2009-2011 & 2014-2015	Joint Dy. Commissioner of Sales Tax (Appeals)
Central Sales Tax Act, 1956	Central Sales Tax	4.2	1.7	2002-2005	Sales Tax Special Circle
Central Sales Tax Act, 1956	Central Sales Tax	51.2	4.4	2013-14	Appellate Forum, Before Additional Commissioner
Central Sales Tax Act, 1956	Central Sales Tax	4.4	0.4	2014-2015	Appellate Authority, Large Tax Unit, before Sr. Joint Commissioner
Central Sales Tax Act, 1956	Central Sales Tax	0.4	0.0	2012-2014	Odisha Sales Tax Tribunal, Cuttack
Income Tax Act, 1961	Income Tax	560.5	123.0	2011-2015 & 2016-2017	Commissioner of Income Tax (Appeal)

Annexure B to the Independent Auditors' report

on the standalone financial statements of Alkem Laboratories Limited for the period ended 31 March 2020.

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 2A(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 financial statements of Alkem Laboratories Limited ("the Company") as of 31 March 2020 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 31 March 2020, 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 financial controls 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 whether 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 **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Sadashiv Shetty
Partner

Mumbai
5 June 2020

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