

# INDEPENDENT AUDITOR'S REPORT

To The Members of Syngene International Limited

## Report on the Audit of Standalone Indian Accounting Standards ('Ind AS') Financial Statements

We have audited the accompanying Standalone Ind AS Financial Statements of Syngene International Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and summary of the significant accounting policies and other explanatory information (hereinafter referred to as "Standalone Ind AS Financial Statements").

## Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone Ind AS 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 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 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 financial statements, management is also 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.

## Auditor's Responsibility

Our responsibility is to express an opinion on these Standalone Ind AS Financial Statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Standalone Ind AS Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether

the Standalone Ind AS Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Standalone Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone Ind AS Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Standalone Ind AS Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Standalone Ind AS Financial Statements.

We are also responsible to 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Ind AS Financial Statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Ind AS Financial Statements give the information required by 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 31 March, 2018, its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

## 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 in terms of Section 143(11) of the Act, we give in "Annexure A", 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, the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the aforesaid Standalone Ind AS Financial Statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act;
- (e) on the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 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";
- (g) 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, 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 Standalone Ind AS Financial Statements – Refer Note 31(i)(a) to the Standalone Ind AS Financial Statements;
- (ii) provision has been made in the Standalone Ind AS Financial Statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 28 to the Standalone Ind AS Financial Statements;
- (iii) there were no amounts during the year which were required to be transferred to the Investor Education and Protection Fund by the Company; and
- (iv) the disclosures in the 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 since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited Standalone Ind AS financial statements for the period ended 31 March 2017 have been disclosed. – Refer Note 32 to the Standalone Ind AS Financial Statements.

**for B S R & Co. LLP**

*Chartered Accountants*

Firm's registration number: 101248W/W-100022

**S Sethuraman**

*Partner*

Membership number: 203491

Place: Bengaluru

Date: 25 April 2018

## ANNEXURE – A TO THE INDEPENDENT AUDITOR'S REPORT

The Annexure referred to in paragraph 1 in 'Report on Other Legal and Regulatory Requirements' of the Independent Auditor's Report to the members of Syngene International Limited ("the Company") on the Standalone Ind AS Financial Statements of the Company for the year ended 31 March 2018. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) The Company has a regular programme of physical verification of its property, plant and equipment by which all property, plant and equipment are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain property, plant and equipment were verified during the year and no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and basis our examination of the records of the Company, the Company is in the process of registering the title deeds of immovable properties comprising of land and building acquired during the year ended March 31, 2015, from merger of Clinigene International Limited (an erstwhile wholly owned subsidiary of the Company) amounting to INR 177 million. Also refer Note 3 to the Standalone Ind AS Financial Statements pertaining to buildings constructed on leasehold land.
- (ii) Inventories apart from goods in transit have been physically verified by the Management at reasonable intervals during the year and the discrepancies noticed on such verification between the physical stock and book records were not material.
- (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 ("the Act"). Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2016 ("the Order") are not applicable to the Company and hence not commented upon.
- (iv) According to the information and explanations given to us, there are no loans, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the

Act are applicable. However, the investment made by the Company during the year is in compliance with Section 186 of the Act.

- (v) According to information and explanations given to us, the Company has not accepted any deposits. 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 Companies (Cost Records and Audit) Rules, 2014 as amended, prescribed by the Central Government under Section 148 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 such records.
- (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 employees' state insurance, income-tax, sales tax, value added tax, duty of customs, duty of excise, service tax, goods and service tax and other material statutory dues have been regularly deposited during the year with the appropriate authorities. However, regarding the deposit of provident fund dues, there have been delays due to the timely availability of the Universal Account Number / Aadhar Number in respect of certain employees.

According to the information and explanations given to us, no undisputed amounts payable in respect of employees' state insurance, income tax, sales tax, value added tax, duty of customs, duty of excise, service tax, cess, goods and service tax and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable. However, provident fund dues aggregating to INR 3 million for the period from July 2017 to September 2017 were outstanding for a period of more than six month as at 31 March 2018 due to the delays in the availability of Universal Account Number/Aadhar Number in respect of certain employees. Such dues have since been deposited on 15 April 2018.

- (b) According to the information and explanations given to us, there are no dues of income tax, sales tax, value added tax, service tax, duty of customs, duty of excise, goods and service tax which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned below:

Name of the statute	Nature of dues	Amount disputed (INR in million)	Amount paid under protest (INR in million)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Income tax	706	11	2002-03 to 2008-09	High Court of Karnataka
Income-tax Act, 1961	Income tax	1,173	443	2009-10 to 2014-15	Commissioner of Income tax (Appeals)
Finance Act, 1994	Service tax (including interest)	6	1	March 2005 to February 2007	Customs, Excise and Service Tax Appellate Tribunal

(viii) In our opinion and according to the information and explanations give to us, the Company does not have defaults existing as at the balance sheet date in repayment of borrowings to banks. The Company did not have any borrowings during the year by way of debentures, loans from financial institutions or loan from the Government.

(ix) According to the information and explanations give to us and based on our examination of the records of the Company, we report that monies raised by the Company by way of term loans were applied for the purpose for which the loans were obtained. No monies were raised, during the year, by the Company by way of initial public offer or further public offer (including debt instruments).

(x) According to the information and explanations given to us, no material fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) According to the information and explanations give 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.

(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 Ind AS Financial Statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations give 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.

(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 him. Accordingly, paragraph 3 (xv) of the Order is not applicable.

(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.

**for B S R & Co. LLP**  
Chartered Accountants  
Firm's registration number: 101248W/W-100022

**S Sethuraman**  
Partner  
Membership number: 203491

Place: Bengaluru  
Date: 25 April 2018

## **ANNEXURE – B TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF SYNGENE INTERNATIONAL 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 Syngene International Limited (“the Company”) as of 31 March 2018 in conjunction with our audit of the Standalone 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 (“Guidance Note”) issued by the Institute of Chartered Accountants of India (“ICAI”). 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 Act.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, both issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the Standalone Ind AS Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on

the Company’s internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting**

A Company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Ind AS Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company’s internal financial control over financial reporting 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 Standalone Ind AS Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company’s assets that could have a material effect on the Standalone Ind AS Financial Statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, 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 to future periods are subject to the risk that the internal financial control over financial reporting 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, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, 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 issued by the ICAI.

for **B S R & Co. LLP**

*Chartered Accountants*

Firm’s registration number: 101248W/W-100022

**S Sethuraman**

*Partner*

Membership number: 203491

Place: Bengaluru

Date: 25 April 2018