

Independent Auditors' Report

To the Members of Aurobindo Pharma Limited

REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

Opinion

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

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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters

Investment in subsidiaries and joint venture

[Refer note 2.1(d)(vi) of the summary of significant accounting Policies and note 4 to the standalone financial statements]

The carrying value of investments in the Company's subsidiaries and joint venture entities as at 31 March 2020 is ₹25,045.3 million.

The Company performs the annual assessment of investments to identify any indicators of impairment. Based on internal and external factors considered, where such evidence exists, impairment loss is determined and recognised in accordance with note 2.1(d)(vi) of accounting policies to the standalone financial statements.

We identified the assessment of impairment indicators and resultant impairment losses in respect of investment in subsidiaries/joint venture as a key audit matter because of:

- The significance of the amount of these investments in the Standalone Balance Sheet; and
- The degree of management judgement involved in determining whether there was objective evidence of impairment of investments.

How the matter was addressed in our audit

Our audit procedures in respect of impairment of investment in subsidiaries and JV included the following:

- Testing design, implementation and operating effectiveness of key controls over the impairment assessment process and forecasts and valuation models used by the Company.
- Assessing the valuation methodology used by the Company and testing the mathematical accuracy of the models.
- Challenging the Company's key assumptions such as the discount rate by assessing and comparing the Company's discount range that we developed together with our valuation specialists.
- Challenging the business assumptions used by Company, such as sales growth, cost based on past performances where relevant;
- Performing sensitivity analysis of key assumptions, future revenue growth rates, costs and the discount rates used in the valuation models.
- Evaluating the adequacy disclosure made in the standalone financial statements.

Key audit matters

Litigations, claims and contingencies

Refer note 2.2(m) of the summary of significant accounting policies and note 30(C) to the standalone financial statements.

The Company is involved in disputes, lawsuits, claims, governmental and / or regulatory inquiries, investigations and proceedings, including patent infringement cases, tax and commercial disputes arising from time to time in the ordinary course of business.

Most of the claims involve complex issues. The Company, assisted by their external legal counsel assesses the need to make provision or disclose a contingency on a case-to-case basis considering the underlying facts of each litigation. The Company's conclusions may result in an incorrect disclosure or provision in the books of account considering the aforesaid assessment involves significant judgment to be exercised by the Company based on current developments. Further, unexpected adverse outcomes could also significantly impact the Company's reported results.

This area is significant to our audit, since the accounting and disclosure for litigations, claims and contingencies is complex and judgemental.

How the matter was addressed in our audit

In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient audit evidence:

- Evaluating the design and testing the operating effectiveness of controls relating to identification and evaluation of litigation and claims and measurement of provisions, contingent liabilities and disclosures thereof.
- Obtained a list of ongoing litigations from the Company's legal head. We selected a sample of significant litigations and evaluated the Company's assessment thereof by:
 - i. making enquiries with the in-house legal counsel of the Company;
 - ii. verifying correspondence, orders and appeals in respect of open litigation; and
 - iii. obtained independent confirmations from external legal counsels where relevant and/ or evaluated legal opinions obtained by the Company.
- Evaluating the adequacy of provision and disclosures given in Note 30(C) to Standalone financial statements

Revenue Recognition

Refer to Note 2.2(C) of the summary of significant accounting policies to the standalone financial statements.

Revenue from sale of goods is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control over the promised goods to the customer. Control is usually transferred upon shipment, delivery to, upon receipt of goods by the customer, in accordance with the delivery and acceptance terms agreed with the customers. The amount of revenue to be recognised is based on the consideration expected to be received in exchange for goods, excluding trade discounts, volume discounts, sales returns and taxes.

Revenue is one of the key performance indicators of the Company and there could be a risk of revenue is recognized in the incorrect period or before the control has been transferred to the customer.

Our audit procedures in respect of the recognition of revenue included the following:

- Considering the Company's revenue recognition policies and assessed compliance with the applicable accounting standards.
- Evaluating the design, tested the implementation and operating effectiveness of the Company's internal controls over recognition and measurement of revenue in accordance with underlying customer contracts.
- Performing substantive testing (including cutoff testing procedures) by selecting samples of revenue transactions recorded during the year and for the selected samples, verifying the underlying documents such as sales invoices / contracts and dispatch/shipping documents.
- Assessing manual journals posted to revenue to identify unusual items not already covered by our audit testing;
- Evaluating adequacy of disclosures given in the standalone 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. The Company's annual report

is expected to be made available to us after the date of this auditor's report.

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

Independent Auditors' Report

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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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. 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"; and

- g) 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 30(C) 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and
 - 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.
3. 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 & Associates LLP**
 Chartered Accountants
 ICAI Firm Registration Number: 116231W/ W-100024

Sriram Mahalingam
 Partner
 Membership No.049642
 ICAI UDIN: 20049642AAAACE3995

Place: Hyderabad
 Date: 3 June 2020

Annexure A

to the Independent Auditor's Report on the Standalone Financial Statements

With reference to "Annexure A" referred to in Report on Other Legal and Regulatory Requirements of the Independent Auditor's Report to the Members of the Company on the audit of 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 property, plant and equipment.
- (b) The property, plant and equipment are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the

Company and the nature of its assets. Pursuant to the Programme, a portion of the property, plant and equipment has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

- (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 immovable properties, included in the property, plant and equipment except for the following, are held in the name of the Company. As explained to us, registration of title deeds is in progress in respect of these immovable properties:

Category	No. of instances	Freehold/leasehold	Gross Block as at 31 March 2020 (₹ in million)	Net Block as at 31 March 2020 (₹ in million)
Land	5	Freehold Land	131.2	131.2
Building	1	Freehold Building	35.3	12.8
Total			166.5	144.0

- ii. The inventories, except goods-in-transit and stock lying with third parties, 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 stock and the book records were not material. Inventories lying with third parties as at 31 March 2020 have been confirmed by them and no material discrepancies were noticed in respect of such confirmations.

Government for the maintenance of cost records under Section 148(1) of the Act related to the manufacture of Active Pharmaceutical Ingredients and Formulations and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

- iii. According to 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 Order are not applicable to the Company.

- 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, Duty of Customs, Goods and Services tax, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

- iv. In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a Company in which the director is interested to which, the provisions of Section 185 of the Act apply and hence not commented upon. However, in respect of loans given, investments made and guarantees given, the Company is in compliance with the provisions of Section 186 of the Act.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Duty of Customs, Goods and Services tax, Cess and any 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.

- v. As informed to us, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Rules framed thereunder. Accordingly, the provisions of clause 3(v) of the Order are not applicable.

- (b) According to the information and explanations given to us and based on our examination of the records of the Company, there are no disputed dues of Goods and Services tax and Cess. According to the information and explanations given to us, the following dues of Income-tax, Service tax, Duty of Customs, Duty of Excise have not been deposited by the Company on account of disputes:

- vi. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central

Nature of the Statue	Nature of Dues	Disputed Amount (₹ in million)	Paid under Protest (₹ in million)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944 and Customs Act, 1962	Central Excise	21.9	6.3	F.Y 2004-2016	CESTAT*
	Customs	82.9	2.8	F.Y 2002-2015	CESTAT*
	Customs	4.7	3.7	F.Y 2011-2012	Commissioner (Appeals)
	Service tax	676.3	59.6	F.Y 2005-2016	CESTAT*
Income-tax Act, 1961	Income-tax	12.6	-	A.Y 2013-2016	Commissioner (Appeals)

*Customs, Excise and Service Tax Appellate Tribunals

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to bank. The Company did not have any dues to any financial institution, government or debenture holder during the year.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, paragraph 3(ix) of the Order is not applicable to the Company.
- 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 have we 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 of the Act.
- xii. According to the information and explanations given to us, the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, the provisions of Clause (xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the transactions with related parties are in compliance with the provisions of Section 177 and Section 188 of the Act other than few transactions during the year where audit committee approval has been obtained subsequently. The details of related party transactions have been disclosed in the standalone financial statements as required under Indian Accounting Standards.
- xiv. Based on our examination of the records of the Company and according to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause (xiv) of the Order are not applicable to the Company.
- xv. 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 not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause (xv) of the Order are not applicable to the Company.
- xvi. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause (xvi) of the Order are not applicable to the Company.

For **B S R & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 116231W/ W-100024

Sriram Mahalingam
Partner
Membership No.049642
ICAI UDIN: 20049642AAAACE3995

Place: Hyderabad
Date: 3 June 2020

Annexure B

to the Independent Auditors' report on the Standalone Financial Statements of Aurobindo Pharma 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 clause (f) of paragraph 2 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 Aurobindo Pharma 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 & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 116231W/ W-100024

Sriram Mahalingam
Partner

Place: Hyderabad
Date: 3 June 2020

Membership No.049642
ICAI UDIN: 20049642AAAACE3995

