

INDEPENDENT AUDITORS' REPORT

To

The Members of Gufic Biosciences Limited

Report on the Audit of the Standalone Financial Statements

Qualified Opinion

1. We have audited the accompanying standalone financial statements of **Gufic Biosciences Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and notes to the standalone financial statements including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India including Indian Accounting Standards ("Ind AS") specified under section 133 of the Act, of the state of affairs of the Company as at March 31, 2019, its profit including its other comprehensive income, its cashflows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

3. Balances of trade receivable and trade payable are subject to confirmations, verifications and adjustments necessary upon reconciliation thereof. Adjustments required upon such confirmations, if any, are not ascertainable and as a result its impact on the financial statements cannot be ascertained.
4. We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibility 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 (ICAI) 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 made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

Emphasis of Matter:

5. The company has received an order dated September 6, 2018, from the National Company Law Tribunal for merger of Gufic Stridden Bio Pharma Private Limited (Transferor) with the company from the appointed date i.e. April 1, 2016. Pursuant to the said order the audited result for the year ended March 31, 2018 have been incorporated based on the management certified financial statements of the transferor company. (Refer Note No. 47)
6. During the year, the company has entered into transactions with a related party exceeding the threshold limit as prescribed under Rule 15(3) of the Companies Act 2013 for which post facto approval has been obtained from the shareholders as required under section 188 of the Act. (Refer Note 49)

Our opinion is not modified in respect of the above matters.

Key Audit Matters

7. 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. In addition to the matter described in the basis for qualified opinion section we have determined the matters described below to be the key audit matters to be communicated in our report. In addition to the matter described in the basis for qualified opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	How the matter was addressed in our audit
(i)	Revenue Recognition (Refer to Note No. 2.3 of the Significant Accounting Policies)	
	<ul style="list-style-type: none"> ➤ The Company adopted Ind AS 115 - Revenue from Contracts with Customers which is a new revenue accounting standard. The application and transition to this accounting standard is significant and involves management judgement/ estimates, and is an area of focus in the audit. 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. 	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> ➤ assessed the appropriateness of the Company's revenue recognition accounting policies by comparing with applicable accounting standards. ➤ assessed and tested the design, implementation and operating effectiveness of management's key controls over revenue recognition including those relating to sales return.

	<ul style="list-style-type: none"> ➤ The Company provides a right of return to its customers as a customary business practice. These arrangements result in deductions to gross amounts invoiced. The initial revenue recognition is reduced taking into consideration the anticipated sales returns. Due to the Company's presence across different regions and the competitive business environment, the estimation of anticipated sales returns is material and considered to be judgmental, hence is a key audit matter. 	<ul style="list-style-type: none"> ➤ performed testing by selecting samples of customer contracts for verification of the transaction price and assessing the point of time when control has been transferred to the customers. ➤ reviewed the reasonableness of the deductions made to gross sales for anticipated sales returns including those controls over accrual rates used for calculations of provision for sales returns. ➤ performed testing by selecting samples relating to sales returns recorded during the year and comparing the parameters used in the calculation with the relevant source documents. ➤ performed historical trend analysis of the previous years' sales return to assess any provision for sales return is required as at the Balance sheet date. ➤ considered the adequacy of the disclosures in respect of revenue in terms of relevant accounting standard.
(ii)	Trade Receivable Provisioning	
	<ul style="list-style-type: none"> ➤ Balance of trade receivables is material and considering company's business there is inherent risk that the company's receivable will not be realized. There are key estimates and significant judgements which are involved in assessing provisioning based on the Expected Credit Loss Method and hence considered as Key Audit Matters. 	<p>Our audit procedures include the following substantive procedures:</p> <ul style="list-style-type: none"> ➤ understood the methodology used to calculate the provision towards the trade receivable and determined it was consistent with that applied in the prior year. ➤ we have tested the calculations of the provision made by the company which takes into account historical credit loss experience for the previous three year and adjusted for forward-looking information. The expected credit loss allowance is based on the ageing of the days the receivables are due.

Information Other than the Financial Statements and Auditor's Report Thereon

8. The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Corporate Governance and Shareholder's Information (the report), but does not include the Standalone Financial Statements and our auditor's report thereon. The report is expected to be made available to us after the date of this auditor's report.
9. In Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.
10. In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

Management's Responsibility for the Standalone Financial Statements

11. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows, and changes in equity of the Company in accordance with accounting principles generally accepted in India including the 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 the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.
12. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

13. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

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

14. 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 Standards on Auditing 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.

15. 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 financial 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 system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

16. We communicate with those charged with governance regarding, among other matters, the plan scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

17. 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.

18. 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 auditor's 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

19. As required by section 197(16) of the Act, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act read with Schedule V of the Act.

20. 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.

21. As required by Section 143(3) of the Act, based on our audit, 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 except for the matter described in para 3 of the basis for qualified opinion section.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
- d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.

- e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company 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, (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements refer Note 42 & 43 to the financial statements;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For S H R & Co.
Chartered Accountants
FRN : 120491W

Deep N. Shroff
Partner
Membership No. 122592
Mumbai : 31st May, 2019

ANNEXURE A TO THE AUDITOR'S REPORT

Annexure A referred to in Paragraph 20 Of Our Report of Even Date on The Standalone Financial Statements For The Year Ended March 31, 2019 Of Gufic Biosciences Limited:

i. In respect of Fixed Assets:

- (a) The company has maintained its fixed asset register showing full particulars in respect of its description, original cost, year of purchase, useful life, and residual value but has not updated its records showing quantitative details and situation of the fixed assets.
- (b) According to information and explanations provided to us, the fixed assets are physically verified by the management according to phased programme designed to cover all the items over a period of five years which in our opinion, is reasonable having regard to the size of the company and nature of its business. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year. We have been informed that necessary adjustments in respect of discrepancies if any between physical asset and book record have already be made in the books upon reconciliation.
- (c) According to information and explanations provided to us there are no immovable property is in the name of the company and as regards the building shown in fixed asset schedule represents capital expenditure incurred on extension/renovation of factory building acquired on lease. Hence question of title deeds of immovable properties in the name of the company does not arise.

ii. In respect of Inventories:

As explained to us, inventory have been physically verified by the management during the year. The discrepancies if any between physical verification of inventory as compared to book records have been be adjusted in the books of account.

iii. In respect of Granting of Loan:

According to the information and explanations given to us, the Company has not granted any loans to parties covered in the register-maintained u/s. 189 of the Companies Act, 2013 ("The Act"). (other than interest free security deposits or advances given for its business purpose. (Refer Note No. 52)

Thus, the clause relating to terms and conditions of grant of loan, schedule repayment of principal and interest and amount overdue are not applicable to the company.

- iv. In our opinion and according to information and explanations provided to us, the company has not granted any loan, made any investment or provided any securities covered under section 185 and 186 of the Act during the year under review, except loans to employees as part of condition of services.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 73 to 76 or any other relevant provision of the Companies Act and the rule framed there under during the year. No order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any Tribunal.
- vi. We have broadly reviewed the cost records pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 148 (1) of the Companies Act, 2013 and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made detailed examination of records with a view to determine whether they are accurate.

vii. In respect of Statutory dues:

- (a) According to the information and explanations given to us and according to the records of the company examined by us, the company is generally regular in depositing undisputed statutory dues in respect of excise duty and custom duty with appropriate authorities. However, we have observed delays in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Goods and Services Tax, Service Tax and Profession tax applicable to it with the appropriate authorities. According to the information and explanations given to us, there are no statutory dues outstanding as at the last day of the financial year for a period of more than six months from the date they became payable except the Income Tax Rs. 18.20 lakhs, Profession Tax Rs. 13.74 lakhs, ESIC Rs. 9.24 lakhs and Provident Fund Rs. 1.19 lakhs. There are certain Income Tax / TDS demand outstanding of Rs. 24.40 lakhs, as appearing on the website of the Income Tax Department. However, in view of the company no such demand is payable and it will initiate necessary steps to get the said demand rectified.
- (b) According to the information and explanations given to us, there are no dues of Wealth Tax, Service Tax, Customs Duty or Cess, Goods & Service Tax outstanding on account of any dispute except the following dues which have not been deposited with appropriate authorities on account of dispute:

Name of the Statute	Nature of	Amount	Period to which	Forum where matter is pending
	Dues	(₹ in Lakhs)	it relates	
Income Tax Act, 1961	Income Tax	270.15	2011 – 2012	Appeal preferred by the company to the Income Tax Appellant Tribunal
		14.74	2012 – 2013	Appeal preferred by the company to the Commissioner of Income Tax (Appeal) against penalty order
		7.77	2013 – 2014	Appeal preferred by the company to the Commissioner of Income Tax (Appeal) against penalty order
Central Excise Act, 1944	Central Excise Duty	8.21	2000	Departmental Authority
		93.27	2001 – 2008	Appeal preferred by the company to the Tribunal
		14.04	2008 – 2009	Appeal preferred by the company to the Commissioner Appeal
Gujarat Value Added Tax Act, 2003	Sales Tax	29.15	2010 – 2011	Appeal preferred by the company to the Commissioner Appeal
Madhya Pradesh Vat Act, 2002	Sales Tax	2.51	2015 – 2016	Appeal preferred by the company to the Commissioner Appeal Act 2002

- viii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to banks.
- ix. According to the information and explanations given to us, the company has obtained term loans during the year under review which has been utilized for the purpose of which it was raised. The company has not raised any moneys by way of further public offer (including debt instruments).
- x. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on the company by its officers or employees or by the Company have been noticed or reported during the year.
- xi. According to the information and explanations given to us and based on our examination of the records of the company, the company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- 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 financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- 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.
- xvi. In our opinion and according to the information and explanations given to us, the Company is not required to registered under section 45-IA of the Reserve Bank of India Act 1934.

For S H R & Co.
Chartered Accountants
FRN : 120491W

Deep N. Shroff
Partner
Membership No. 122592
Mumbai : 31st May, 2019

ANNEXURE: B REFERRED TO IN PARA 21(f) OF THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENT OF GUFIC BIOSCIENCES LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

1. We have audited the internal financial controls over financial reporting of **Gufic Biosciences Limited** (the "Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements for the year ended on that date.
2. **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("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 Companies Act, 2013.

3. **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit.

We have conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, 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 to the extent applicable.

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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Qualified audit opinion on the Company's internal financial controls system over financial reporting.

4. **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 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 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.

5. 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.

6. Qualified opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2019:

The Company needs to strengthen the design and implementation of internal control system in respect of:

- a) for review of Trade Receivables and Trade Payable, obtaining their confirmations and reconciliation of their outstanding balances with the books of accounts. This could potentially affect the balance in the trade receivable and trade payable and income and expenses account balances.
- b) Reconciliation of statutory dues and its timely deposit with the appropriate authorities. This may result in levy of interest and other penal provisions of statutes if any applicable.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

7. Opinion

In our opinion, except for the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

8. We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company for the year ended March 31, 2019 and these material weaknesses do not affect our opinion on the standalone financial statements of the Company, other than qualification reported by us in our Independent Audit Report.

For S H R & Co.
Chartered Accountants
FRN : 120491W

Deep N. Shroff
Partner
Membership No. 122592
Mumbai : 31ST May, 2019