

## INDEPENDENT AUDITORS' REPORT

To

**The Members of Gufic Biosciences Limited**

**Report on the Audit of the Standalone Financial Statements**

### 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, 2020, 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, 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, 2020, its profit including its other comprehensive income, its cashflows and the changes in equity for the year ended on that date

### Opinion

3. 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 audit opinion on the standalone financial statements.

### Emphasis of Matter:

4. Attention is invited to note no. 50, of the standalone financial statements, on the assessment of the management in respect of impact of Covid - 19, pandemic on the financial statements and operation of the company. Our opinion is not modified in respect of the above matters.

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

### Key Audit Matters

5. 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.

Sr. No.	Key Audit Matter	How the matter was addressed in our audit
(i)	<b>Revenue Recognition (Refer to Note No. 2.11 of the Significant Accounting Policies &amp; Note 27)</b>	
	<ul style="list-style-type: none"> <li>➤ 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. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable after adjusting variable components like sales returns.</li> <li>➤ The actual point in time when revenue is recognised varies depending on the specific terms and conditions with the customers.</li> <li>➤ There is a risk of revenue being overstated by recognizing the revenue earlier than the transfer of control.</li> <li>➤ The Company provides a right of return to its customers as a common business practice. The initial revenue recognition is reduced taking into consideration the anticipated sales returns. There are key estimates and significant judgements which are involved in assessing the anticipated sales return.</li> <li>➤ Hence the revenue recognition has been considered as a key audit matter.</li> </ul>	<p><b>Our audit procedures amongst others included the following:</b></p> <ul style="list-style-type: none"> <li>➤ assessed the appropriateness of the Company's revenue recognition accounting policies by comparing with applicable accounting standards.</li> <li>➤ assessed and tested the design, implementation and operating effectiveness of management's key controls over revenue recognition including those relating to sales return.</li> <li>➤ Performed substantive testing of selected samples of revenue transactions recorded during the year end. Verified contractual terms of sales invoices / contracts, shipping documents and confirmation / communication with the customers to ascertain a point of time when control was transferred to the customers;</li> <li>➤ Relied on the management estimates of the deductions made to the gross sales for anticipated sales returns. Tested the sales return data and key consideration used to determine the provisions made, considering the past and future anticipated returns.</li> <li>➤ considered the adequacy of the disclosures in respect of revenue in terms of relevant accounting standard.</li> </ul>

<b>(ii) Inventory, its valuation and provisions thereof (Refer Note 2.7 of the Significant Accounting Policies)</b>	
<ul style="list-style-type: none"> <li>➤ The Company holds inventory at various locations including factory, various depots and third-party locations. Hence existence of inventory is of significant importance.</li> <li>➤ Inventory valuation involves significant assumptions and estimations made by the Management. Management also makes an estimate for near expiry and slow-moving inventory based on the age of the inventory.</li> <li>➤ We have identified inventory as a key audit matter because of the number of locations that inventory is held and the judgment applied in the valuation of inventory and provision for inventory.</li> </ul>	<p>Our audit procedures amongst other included the following:</p> <ul style="list-style-type: none"> <li>➤ assessed the appropriateness of the inventories accounting policies and its compliances with applicable accounting standards.</li> <li>➤ evaluated the design of key internal financial controls and operating effectiveness of the relevant key controls with respect to physical verification of inventory, valuation of inventory and provision for inventory.</li> <li>➤ year-end inventory count could not be performed on account of Covid- 19 situation by the management. The physical count of inventory was carried out by an Independent Chartered Accountants subsequently at selected locations, as per our instructions. Alternative procedures have been performed and the inventory balances have been rolled back to year-end.</li> <li>➤ tested, on a sample basis, the valuation of inventories as at the year end and the Management's assessment of provision required for near expiry and slow-moving inventories held as at the balance sheet date.</li> </ul>
<b>iii) Trade Receivable Provisioning</b>	
<p>Balance of trade receivables is material and considering company's business there is inherent risk that the company's receivable may 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>	<p>Our audit procedures include the following substantive procedures:</p> <ul style="list-style-type: none"> <li>➤ assessed the classification of the balances in the receivables ageing by performing an independent recomputation of the aged receivables</li> <li>➤ for a sample of customer balances, verified the subsequent receipts against the outstanding year end balances.</li> <li>➤ understood the methodology used to calculate the provision towards the trade receivable and determined it was consistent with that applied in the prior year.</li> <li>➤ 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.</li> </ul>

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

- 6 The Company's Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Annual Report (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.
- 7 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.
- 8 In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available, 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.

**Responsibilities of Management for the Standalone Financial Statements**

- 9 The Company's Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the

# GUFIC BIOSCIENCES LIMITED

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 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

- 10 In preparing the standalone financial statements, Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
- 11 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**

- 12 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.
- 13 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 in the standalone financial statements made by the Board of Directors.
  - Conclude on the appropriateness of management's 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.
- 14 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
- 15 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.
- 16 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

- 17 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, to the extent applicable.
- 18 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.
  - 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 cash flows and the standalone 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, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - g) 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 current year is in accordance with the provisions of section 197 of the Act read with Schedule V of the Act.
  - h) 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 as on March 31, 2020 on its financial position in its standalone financial statements refer Note 43 & 44 to the standalone 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  
UDIN: 20122592AAAADT1538  
Mumbai, dated July 31, 2020

## ANNEXURE A TO THE AUDITOR'S REPORT

### Annexure A referred to in Paragraph I Of Our Report of Even Date on The Standalone Financial Statements For The Year Ended March 31, 2020 Of Gufic Biosciences Limited:

#### i. In respect of Fixed Assets:

- (a) According to the information and explanations given to us, the company has maintained its fixed assets register showing full particulars in respect of its description, original cost, year of purchase, useful life, residual value and is in a process of updating its records showing quantitative details and situation of the fixed assets.
- (b) The company has a phased wise programme designed to cover all items of fixed assets over a period of five years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. However, none of the fixed assets were physically verified by management during the year, due to Covid – 19, situation. Hence no comment is required on material discrepancies noticed at the time of verification, as the physical verification was not conducted during the year.
- (c) According to information and explanations provided to us, the company has acquired during the year immovable properties under construction, disclosed as Capital Work in Progress in the Note 7 to the standalone financial statements, in respect of which title deeds are in the name of the company. There are no other immovable properties in the name of the company. As regards the building shown in the Note 5 “Property, Plant and Equipment” to the standalone financial statements, represents capital expenditure on construction/extension of a building on a leasehold land, which will revert to the lessor on completion of lease period. Hence question of title deeds in respect of building represented by such capital expenditure does not arise. In respect of immovable properties that have been taken on lease and disclosed as right of use assets in Note 8 to the standalone financial statements, the lease agreements are in the name of the Company.

- ii. 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 adjusted in the books of account.
- iii. 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. 49)

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 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 custom duty with appropriate authorities. However, we have observed certain delays in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Goods and Services 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 certain outstanding demand of Rs. 50.33 lakhs in respect of Income Tax including Tax Deducted at Source, as appearing on the website of the Income Tax Department.
- (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

Name of the Statute	Nature of Dues	Amount (₹ in Lakhs)	Period to which it relates	Forum where matter is pending
Income Tax Act, 1961	Income Tax	215.99	2011 - 2012	Appeal preferred by the company before the Commissioner of Income Tax (Appeal)
		12.52	2012 - 2013	Appeal preferred by the company before the Commissioner of Income Tax (Appeal)
		6.59	2013 - 2014	Appeal preferred by the company before the Commissioner of Income Tax (Appeal)
		Demand raised 451.65 less: Credit not Given (202.96) Net demand <b>248.69</b>	2018 - 2019	Appeal preferred by the company before the Commissioner of Income Tax (Appeal)
Central Excise Act, 1944	Central Excise Duty	14.04	01/02/2008 to 31/07/2008	Appeal preferred by the company before 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

- 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 by 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 notes to the standalone 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  
UDIN: 20122592AAAADT1538  
Mumbai, dated July 31, 2020

## **ANNEXURE: B TO THE INDEPENDENT AUDITOR'S REPORT**

**Referred in paragraph 2(f) under "Report on Legal and Regulatory Requirement" section of our report of even date on the Standalone Ind AS 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, 2020 in conjunction with our audit of the standalone Ind AS financial statements for company for the year ended on that date.

### **2. Management's Responsibility for Internal Financial Controls**

The Company's management and Board of Directors are 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 over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of 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 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 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. Opinion**

In our opinion, to the best of our information and according to the explanations given to us 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, 2020, 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.

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

Deep N Shroff  
Partner  
Membership No. 122592  
UDIN: 20122592AAAADT1538  
Mumbai, dated July 31, 2020