

# Independent Auditor's Report

## To the Members of Strides Shasun Limited

### Report on the Audit of the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Strides Shasun Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and summary of the significant accounting policies and other explanatory information.

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

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

In preparing the standalone Ind AS 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

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

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing

specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

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

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

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, read with the note on accounting for Demerger as described in subparagraph (2) of the Emphasis of Matter paragraph below, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31 March 2018, its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Emphasis of matter

1. We draw attention to Note 39.1 to the standalone Ind AS financial statements regarding the notification of

claims received from Mylan under the terms of the Share Purchase Agreements (SPAs) for sale of the investments in entities in the Specialties products business in an earlier year, which the Company had disputed. As stated in the Note, the Company has provided a guarantee in favour of Mylan and certain amounts have been set aside in escrows under the terms of the SPAs. As further explained in the aforesaid Note, given the nature of the pending claims against the Company and considering the amount held in escrow account, the Company believes that any further outflow of resources is not probable.

2. We draw attention to Note 39.2 to the standalone Ind AS financial statements regarding the Demerger Scheme (Scheme) which has been approved by National Company Law Tribunal (NCLT) vide its order dated 9 March 2018 and filed with the Registrar of Companies on 31 March 2018. In accordance with the Scheme approved by NCLT, the Company has given effect to the Scheme from the appointed date specified therein i.e. 1 October 2017 instead of the effective date.

Our opinion is not modified in respect of these matters.

### Other matters

Corresponding figures for the year ended 31 March 2017 have been audited by another auditor who expressed an unmodified opinion dated 18 May 2017 on the standalone Ind AS financial statements of the Company for the year ended 31 March 2017.

Our opinion on the standalone Ind AS financial statements is not modified in respect of the above matter.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the aforesaid standalone Ind AS financial statements, read with Note 39.2 therein and sub-paragraph (2) of the Emphasis of

Matter paragraph above, comply with the Indian Accounting Standards prescribed under section 133 of the Act.

- e) In our opinion, any unfavourable outcome with regard to the matter referred to in Note 39.1 to the standalone Ind AS financial statements resulting in outflow of resources, significantly in excess of amounts set aside in escrows stated in the said Note, may have an adverse effect on the functioning of the Company.
- f) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;
- g) 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
- 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, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements - Refer Note 39.1 and 42 to the standalone Ind AS financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses - Refer Note 54 to the standalone Ind AS financial statements;
  - 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 Ind AS financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited Standalone Ind AS financial statements for the period ended 31 March 2017 have been disclosed.

for **BSR & Co. LLP**  
Chartered Accountants  
Firm Registration Number: 101248W/W-100022

**Sampad Guha Thakurta**  
Partner

Bengaluru, May 18, 2018

Membership Number: 060573

## Annexure - A to the Independent Auditor's Report

The Annexure referred to in Independent Auditor's Report to the members of the Company on the standalone Ind AS financial statements of Strides Shasun Limited for the year ended 31 March 2018. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and basis our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company except the following:

Particulars of land and building	Gross block (₹ in million as at 31 March 2018)	Net Block (₹ in million as at 31 March 2018)	Remarks
Freehold land admeasuring 5.44 Acres	201.42	201.42	The title deeds are under dispute.
Freehold land and building admeasuring 20.43 acres	630.69	468.96	The title deeds are not in the name of the Company.
Freehold land admeasuring 0.6 Acres	0.81	0.81	The title deeds are not in the name of the Company.
Building admeasuring 750 sq. ft.	3.55	1.28	The title deeds are not in the name of the Company.

- In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) Inventories apart from goods in transit and inventories lying with third parties have been physically verified by the Management during the year and the discrepancies noticed on such verification between the physical stock and book records were not material. In our opinion, the frequency of such verification is reasonable.
- (iii) The Company has granted unsecured loans to Companies covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act').
- (a) During the current year, the Company has not granted loans to the companies listed in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii) (a) of the Order is not applicable to the Company.
- (b) In the case of the loans granted in the earlier years which are covered in the register maintained under Section 189 of the Act, the borrower has been regular in the payment of the principal and interest as stipulated.
- (c) There are no overdue amounts in respect of the loans granted to companies in the earlier years which are covered in the register maintained under Section 189 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans given, investments made and, guarantees and securities given.
- (v) According to information and explanations given to us, the Company has not accepted any deposits. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the

Companies (Cost Records and Audit) Rules, 2014 as amended, prescribed by the Central Government under Section 148 of the Act and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However we have not made a detailed examination of such records.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, service tax, duty of customs, duty of

excise, value added tax, goods and service tax, cess and other material statutory dues have been generally regularly deposited during the year with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, goods and service tax, cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

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

Name of statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount (₹ in million)
The Income-Tax Act, 1961	Income tax	Income Tax Appellate Tribunal	AY 2008-09	190.42 (net of tax paid under protest of 223.14)
The Income-Tax Act, 1961	Income tax	Income Tax Appellate Tribunal	AY 2009-10	250.60 (net of tax paid under protest of 307.56)
The Income-Tax Act, 1961	Income tax	Income Tax Appellate Tribunal	AY 2011-12	75.14 (net of tax paid under protest of 59.98)
Central Excise Act, 1944	Central excise	CCE (Appeals)	Various dates	3.59
Central Excise Act, 1944	Central excise	Customs, Excise and Service Tax Appellate Tribunal	Various dates	481.20 (net of tax paid under protest of 24.51)
The Finance Act, 1994	Service tax	Customs, Excise and Service Tax Appellate Tribunal	Various dates	48.17 (net of tax paid under protest of 0.35)
Maharashtra Value Added Tax Act, 2002	Maharashtra VAT	Joint Commissioner (Appeals)	2010-11	32.10
Karnataka Value Added Tax Act, 2005	Karnataka VAT	High Court	2013-14	42.23
Karnataka Value Added Tax Act, 2005	Karnataka VAT	Deputy Commissioner of Commercial Tax	2011-12	65.34

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions. The Company did not have any borrowings during the year by way of debentures or from government.

(ix) According to the information and explanations given to us, the Company has not raised any money by way of public issue or further public offer (including debt instruments) during the year. The term loans raised by the Company have been applied for the purpose for which they were raised.

- (x) According to the information and explanations given to us, no fraud by the Company or any material fraud on the Company by its officers or employees has 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, the Company has paid remuneration of ₹ 51.66 million to the managing director for the year ended 31 March 2018, which is in excess by ₹ 1.67 million of the limits prescribed by Section 197 read with Schedule V of the Act. The Company has reported this excess amount as recoverable from the directors as at 31 March 2018.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the standalone Ind AS financial
- statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations 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. Accordingly para 3 (xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

for **BSR & Co. LLP**  
Chartered Accountants  
Firm Registration Number: 101248W/W-100022

**Sampad Guha Thakurta**  
Partner

Bengaluru, May 18, 2018

Membership Number: 060573

## Annexure - B to the Independent Auditor's Report of even date on the standalone financial statements of Strides Shasun Limited

Report on the Internal Financial Controls with reference to the standalone Ind AS financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to the standalone Ind AS financial statements of Strides Shasun Limited ('the Company'), as of 31 March 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal controls with reference to the standalone Ind AS financial statements criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to the standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by ICAI. 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 the standalone Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to the standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to the standalone Ind AS financial statements included obtaining an understanding of internal financial controls with reference to the standalone Ind AS financial statements, assessing the risk that a material weakness exists, and testing

and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 the standalone Ind AS financial statements.

### Meaning of Internal Financial Controls with reference to the Standalone Ind AS Financial Statements

A company's internal financial controls with reference to the standalone Ind AS 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 the standalone Ind AS financial statements 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 Ind AS financial statements.

### Inherent Limitations of Internal Financial Controls with reference to the Standalone Ind AS Financial Statements

Because of the inherent limitations of internal financial controls with reference to the standalone Ind AS 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 the standalone Ind AS financial statements to future periods are subject to the risk that the internal financial controls with reference to the standalone Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to the standalone Ind AS financial statements and internal financial controls with reference to the standalone Ind AS financial statements were operating effectively as at 31 March 2018, based on the internal financial controls with reference to the standalone Ind AS financial statements criteria established by the Company considering the essential components of internal controls stated in the Guidance Note issued by the ICAI.

for **B S R & Co. LLP**  
Chartered Accountants  
Firm Registration Number: 101248W/W-100022

**Sampad Guha Thakurta**  
Partner  
Membership Number: 060573

Bengaluru, May 18, 2018