1. Corporate Information

Sanofi India Limited ('the company') is public limited company listed on Bombay Stock Exchange and National Stock Exchange, incorporated and domiciled in India and has its registered office at Sanofi House, CTS No. 117-B, L&T Business Park, Saki Vihar Road, Powai, Mumbai – 400072, India. It is primarily engaged in the business of manufacturing and trading of drugs and pharmaceuticals. The Company has its own manufacturing facility at Goa and Ankleshwar. The Company has various independent contract / third party manufacturers based across the country. The Company sells its products through independent distributors primarily in India.

These financial statements were authorised for issue by the Board of Directors on February 26, 2019.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements are prepared on the accrual basis of accounting and in accordance with the Indian Accounting Standards (hereinafter referred to as the Ind AS) as prescribed under Section 133 of the Companies Act, 2013 (the Act) (as amended) and other relevant provisions of the Act.

2.2 Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities are measured at fair value;
- assets held for sale – measured at fair value less cost to sell;
- share based payments; and
- defined benefit plans - plan assets measured at fair value.

2.3 Summary of significant accounting policies

i. Current and non-current classification

The assets and liabilities reported in the balance sheet are classified on a "current/non-current basis".

An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting date, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

ii. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Where required/appropriate, external valuers are involved.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) prices in active market for identical assets or liabilities.
- Level 2 (if level 1 feed is not available / appropriate) - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 (if level 1 and 2 feed is not available / appropriate) - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial assets and liabilities maturing within one year from the Balance Sheet date and which are not carried at fair value, the carrying amount approximates fair value due to the short maturity of these instruments.

The Company recognizes transfers between levels of fair value hierarchy at the end of reporting period during which the change has occurred.

iii. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, is responsible for allocating resources and assessing performance of the operating segments and makes strategic decisions. Refer Note 35 for segment information presented.

iv. Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Indian ₹ (INR), which is Sanofi India Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the Statement of Profit and Loss.

Non-monetary items that are measured at historical cost in foreign currency are not retranslated.

All non-monetary items denominated in foreign currency are carried at historical cost or other similar valuation and are reported using the exchange rate that existed when the values were determined.

v. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duty and net of discounts, allowances, returns, value added taxes/sales tax, goods and services tax (GST) and amounts collected on behalf of third parties. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company, the significant risk and reward of ownership has passed onto the customer, the recovery of the cost can be estimated reliably and there is no continuing managerial involvement with the product.

The Company has assumed that recovery of excise duty flows to the Company on its own account and thus, revenue includes excise duty.

However, GST and sales tax/value added tax (VAT) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership is passed on to customer, Revenue from sale of goods is stated exclusive of Sales tax / VAT / GST and are net of sales returns, discounts, provision for anticipated returns on expiry, made on the basis of management expectation taking into account past experience.

Sale of services

Income from services rendered is recognised based on the terms of the agreements and when services are rendered. Service income is net of service tax / GST.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument. Interest income is included in 'Other Income' in the Statement of Profit and Loss.

vi. Government grants

Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant;

- In case of capital grants, they are then recognised in the Statement of Profit and Loss on a systematic basis over the useful life of the asset.
- In case of grants that compensate the Company for expenses incurred are recognised in the Statement of Profit and Loss on a systematic basis in the periods in which the expenses are recognised.

Export benefits available under prevalent schemes are accrued in the year in which the goods are exported and there is no uncertainty in receiving the same.

vii. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The provision for current tax is made at the rate of tax as applicable for the income of the previous year as defined under the Income tax Act, 1961.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and current tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is recognised using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purpose at the reporting date.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

viii. Leases

As a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease except where payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases or another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

As a lessor

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases or another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The respective leased assets are included in the Balance Sheet based on their nature. Costs, including depreciation, on such leased assets are recognised as an expense in the Statement of Profit and Loss.

ix. Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of non-financial assets except inventories to ascertain whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets excluding goodwill with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in the Statement of Profit and Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount of the asset does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss.

x. Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, Cash and Cash Equivalents includes balance with banks and demand deposits with banks with original maturities of three months or less and other short term highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

xi. Inventories

Inventories consist of raw materials, packing materials, work-in-progress, stock-in-trade and finished goods. Inventories are valued at lower of cost and net realizable value (NRV). Cost is determined on weighted average basis.

Cost of raw materials and packing materials includes cost of purchases and other costs incurred in bringing the inventories to their present location and condition.

Cost of work-in-progress and finished goods includes direct materials, labour and proportion of manufacturing overheads based on the normal operating capacity, wherever applicable. Cost of finished goods includes excise duty and other costs incurred in bringing the inventories to their present location and condition.

Cost of stock-in-trade includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be used are expected to be sold at or above cost.

xii. Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets:

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through the Statement of Profit and Loss), and
- those measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Initial recognition and measurement

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through Profit and Loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through Profit and Loss are expensed in the Statement of Profit and Loss.

Subsequent measurement

After initial recognition, financial assets are measured at:

- fair value (either through other comprehensive income or through Profit and Loss), or
- amortized cost.

Debt instruments

Debt instruments are subsequently measured at amortized cost, fair value through other comprehensive income ('FVTOCI') or fair value through Profit and Loss ('FVTPL') till de-recognition on the basis of (i) the entity's business model for managing the financial assets and (ii) the contractual cash flow characteristics of the financial asset.

There are three measurement categories into which the Company classifies its debt instruments.

(a) Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in the Statement of Profit and Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.

(b) Fair value through other comprehensive income (FVTOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the Statement of Profit and Loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the Statement of Profit and Loss and recognised in other gains / (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

(c) Fair value through profit or loss (FVTPL):

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the Statement of Profit and Loss in the period in which it arises. Interest income from these financial assets is recognised in the Statement of Profit and Loss.

Equity instruments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company decides to classify the same either as at FVTOCI or FVTPL.

The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in Other Comprehensive Income (OCI). There is no recycling of the amounts from OCI to Statement of Profit and Loss, even on sale of such investments.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

Impairment of financial assets

The Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- financial assets that are debt instruments, and are measured at amortised cost e.g., loans, deposits, and bank balance.
- trade receivables.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables which do not contain a significant financing component.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

Derecognition of financial assets

A financial asset is derecognized only when:

- the Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

Income recognition

Interest income

Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

Dividend income

Dividends are recognised in the Statement of Profit and Loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

Financial liabilities:

Initial recognition and measurement

Financial liabilities are initially measured at its fair value plus or minus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the issue/origination of the financial liability.

Subsequent measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in Statement of Profit and Loss. Any gain or loss on derecognition is also recognized in the Statement of Profit and Loss.

Derecognition

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Derivative financial instruments

The Company uses derivative financial instruments, such as foreign exchange forward contracts to manage its exposure to interest rate and foreign exchange risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company enters into derivative contracts to hedge risks which are not designated in any hedging relationship i.e. hedge accounting is not followed. Such contracts are accounted for at FVTPL.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

xiii. Property, Plant and Equipment (PPE)

Freehold land is carried at historical cost. All other items of Property, plant and equipment acquired or constructed are initially recognized at historical cost net of recoverable taxes, duties, trade discounts and rebates, less accumulated depreciation and impairment loss, if any. The historical cost of Property, plant and equipment comprises of its purchase price, borrowing costs and adjustment arising for exchange rate variations attributable to the assets, including any cost directly attributable to bringing the assets to their working condition for their intended use.

Capital Work-in-Progress represents Property, plant and equipment that are not ready for their intended use as at the reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The Company identifies and determines cost of each component/part of the plant and equipment separately, if the component/part has a cost which is significant to the total cost of the plant and equipment and has useful lives that is materially different from that of the remaining plant and equipment.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Statement of Profit and Loss during the year in which they are incurred.

Gains and losses arising from derecognition of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognized.

Depreciation methods, estimated useful lives and residual values

Depreciation is provided, pro-rata for the period in use, on the straight-line method based on the respective estimate of useful lives given below. Estimated useful lives of assets are determined based on technical parameters/assessments.

The management believes that useful lives currently used, which is prescribed under Part C of Schedule II to the Companies Act, 2013, fairly reflects its estimate of the useful lives and residual values of PPE, though these lives in certain cases are different from lives prescribed under Schedule II.

Asset Category	Useful Lives (in Years)
Buildings	30
Plant and Machinery*	10
Furniture and Fixtures	10
Office equipment	10/5
Computers*	3
Laptops	3
Motor vehicles	8
Leasehold improvements	Amortised over the lease period

*In respect of these assets, management estimates different useful life than prescribed under part C of Schedule II based on internal assessment and independent technical evaluation.

Estimated useful lives, residual values and depreciation methods are reviewed annually, taking into account commercial and technological obsolescence as well as normal wear and tear and adjusted prospectively, if appropriate.

Advances paid towards the acquisition of PPE outstanding at each Balance Sheet date is classified as capital advances under 'Other non-current assets' and cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'.

xiv. Intangible assets

Intangible assets are stated at cost of acquisition less accumulated amortization / impairment losses.

Goodwill

For measurement of goodwill arising on a business combination, subsequent measurement is at costs less any accumulated impairment losses.

Goodwill is not amortized and is tested for impairment annually.

Acquired intangible assets

Separately acquired intangible assets are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses, if any.

The Company amortizes intangible assets with a finite useful life using the straight-line method over the estimated useful lives. The estimated useful lives of assets are as follows:

Asset Category	Useful Lives (Months)
Brand	120
Software	36
Technical know-how	60

In respect of the above assets, management's estimate are based on internal assessment and independent technical evaluations.

The amortisation period and the amortisation method for intangible assets are reviewed at the end of each reporting period. The amortisation expense on intangible assets is recognised in the Statement of Profit and Loss.

Losses arising from retirement and gains or losses arising from disposal of Intangible assets are determined by comparing sale proceeds with carrying amount and are disclosed in the Statement of Profit and Loss.

Research and development expenditure

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised.

Development expenditure on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

The amount capitalised comprise of expenditure that can be directly attributed or allocated on a reasonable and consistent basis for creating, producing and making the asset ready for its intended use.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of expected future benefit from the related project, i.e., the estimated useful life. Amortization is recognized in the Statement of Profit and Loss. During the period of development, the asset is tested for impairment annually.

xv. Provisions and contingent liabilities

Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent liabilities are disclosed in the Notes to the financial statements. Contingent liabilities are disclosed for

- when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or
- a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

xvi. Employee benefits

I. Short term benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, bonus, short term compensated absences and the expected cost of ex-gratia is recognized in the period in which the employee renders the related service.

II. Other long term employee benefits

The Company has for all employees other long-term benefits in the form of Long Service Award and Compensated Absences as per the policy of the Company. Liabilities for such benefits are provided on the basis of actuarial valuation, as at the reporting date, carried out by an independent actuary. The actuarial valuation method used by an independent actuary for measuring the liability is the Projected Unit Credit method.

III. Post-employment benefit obligations

The company operates the following post-employment schemes:

a) defined contribution plans such as superannuation fund and provident fund (Ankleshwar and Nepal), and

b) defined benefit plans such as gratuity, pension plan and provident fund (other than Ankleshwar and Nepal)

Defined contribution plans

The Company has defined contribution plans for post-employment benefits in the form of Superannuation Fund which is recognised by the Income-tax authorities and administered through trustees and/or Life Insurance Corporation of India (LIC). Further, the Company also has a defined contribution plan in the form of a provident fund scheme for its staff and workmen at the Ankleshwar unit and Nepal and pension scheme under the Employee's Pension Scheme 1995 for its all employees, which are administered by the Provident Fund Commissioner.

All the above mentioned schemes are classified as defined contribution plans as the Company has no further obligation beyond making the contributions. The Company's contributions to defined contribution plans are charged to the Statement of Profit and Loss, when an employee renders the related service.

Defined benefit plans

The company has defined benefit plans for post-employment benefits in the form of Provident Fund (treated as a defined benefit plan on account of guaranteed interest benefit), Gratuity and Pension Plan (treated as a defined benefit plan on account of guaranteed pension).

The Company has for all employees other than Ankleshwar and Nepal, defined benefit plans for post-employment benefits in the form of Provident Fund which is administered through trustees (treated as a defined benefit plan on account of guaranteed interest benefit). Further, the Company has defined benefit plan for post-retirement benefit in the form of Gratuity which is administered through trustees and LIC for all its employees and pension plan for certain employees.

Provident Fund and Gratuity fund are recognised by the Income-tax authorities and administered through trustees and/or LIC. Liability for Defined Benefit Plans is provided on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary.

The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bond that have terms to maturity approximating to the terms of the related gratuity, pension plan and provident fund liabilities.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the Balance Sheet.

xvii. Share based payments

Sanofi S.A. France, ultimate holding company being the Ultimate Holding Company has given restricted stock option plan to certain employees of the Company.

Pursuant to Ind AS 102 'Share-based Payment', the Company recognizes an expense based on the fair value of the stock options as at grant date. The expenses are amortised over the vesting period which is conditional on the provision of services by the plan participant during the vesting period. The corresponding credit is given to equity because the award represents in substance equity contribution by the Parent Company. The cumulative expense recognised for stock options at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

xviii. Contributed equity

Equity shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

xix. Dividends distribution to equity holders

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

xx. Earnings per Share

Basic earnings per share is calculated by dividing the net profit after tax for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

xxi. Cash flow statement

Cash flows are reported using the Indirect Method, as set out in Ind AS 7 'Statement of Cash Flow', whereby profit for the year is adjusted for the effects of transaction of non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

3. Recent Accounting Pronouncements

Ministry of Corporate Affairs ("MCA") through the Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind AS which the Company has not applied as they are effective for annual periods beginning on or after April 01, 2018:

Ind AS 115 – Revenue from Contracts with Customers

Ind AS 115, is effective for periods beginning on or after April 01, 2018. Ind AS 115 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments). Ind AS 115 replaces the previous revenue Standards: Ind AS 18 Revenue and Ind AS 11 Construction Contracts, and the related appendices.

The standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. Under Ind AS 115, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The core principle in that framework is that a Company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the fair value of consideration to which the Company expects to be entitled in exchange for those goods or services.

Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Company is in the process of evaluating the impact of adoption of Ind AS 115 on its financial statements.

4. Significant Judgements and Estimates

The preparation of the Company's financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the reported amount of assets, liabilities, revenue, expenses, and the accompanying disclosures and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances existing when financial statements were prepared. These estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the year in which the estimates are revised and in any future year affected.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, which may cause material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The areas involving critical estimates and judgements are:

- Useful lives of Property, plant and equipment and intangibles [Refer Note 2.3 (xiii) and (xiv)]
- Measurement of defined benefit obligations (Refer Note 41)
- Provision for inventories (Refer Note 12)
- Measurement and likelihood of occurrence of provisions and contingencies (Refer Notes 22, 38 and 46)
- Impairment of Goodwill [Refer Note 6(a)]
- Impairment of trade receivables (Refer Note 13)

5 (a) - Property, plant and equipment

(₹ in Million)

Particulars	Freehold Land	Leasehold Land	Buildings	Leasehold Impro-vement	Plant and Equipment	Furniture and Fixtures	Office Equipment	Computers	Motor Vehicles	Total
Year ended December 31, 2017										
Gross Carrying Amount										
As at January 1, 2017	36	382	2,633	7	2,469	302	70	226	12	**6,137**
Additions	-	-	55	17	399	16	3	53	-	**543**
Disposals	-	-	-	-	(18)	(3)	(9)	(4)	-	**(34)**
Closing Gross Carrying Amount	**36**	**382**	**2,688**	**24**	**2,850**	**315**	**64**	**275**	**12**	**6,646**
Accumulated Depreciation										
As at January 1, 2017	**-**	**1**	**115**	**3**	**312**	**37**	**11**	**99**	**2**	**580**
Depreciation charge during the year	-	1	118	3	356	37	9	88	2	**614**
Disposals	-	-	-	-	(4)	(1)	(1)	(3)	-	**(9)**
Closing Accumulated Depreciation	**-**	**2**	**233**	**6**	**664**	**73**	**19**	**184**	**4**	**1,185**
Net Carrying Amount as on December 31, 2017	**36**	**380**	**2,455**	**18**	**2,186**	**242**	**45**	**91**	**8**	**5,461**
Year ended December 31, 2018										
Gross Carrying Amount										
As at January 1, 2018	36	382	2,688	24	2,850	315	64	275	12	**6,646**
Additions	-	-	62	4	472	14	13	119	13	**697**
Disposals	-	-	*	(1)	(18)	(4)	*	(11)	(6)	**(40)**
Assets classified as held for sale [Refer Note 5 (c)]	(36)	-	(3)	-	(*)	-	-	-	-	**(39)**
Closing Gross Carrying Amount	**-**	**382**	**2,747**	**27**	**3,304**	**325**	**77**	**383**	**19**	**7,264**
Accumulated Depreciation										
As at January 1, 2018	-	2	233	6	664	73	19	184	4	**1,185**
Depreciation charge during the year	-	*	119	4	370	38	14	76	2	**623**
Disposals	-	-	*	(1)	(7)	(3)	*	(10)	(2)	**(23)**
Assets classified as held for sale [Refer Note 5 (c)]	-	-	(*)	-	(*)	-	-	-	-	**(*)**
Closing Accumulated Depreciation	**-**	**2**	**352**	**9**	**1,027**	**108**	**33**	**250**	**4**	**1,785**
Net Carrying Amount as on December 31, 2018	**-**	**380**	**2,395**	**18**	**2,277**	**217**	**44**	**133**	**15**	**5,479**

Notes to the Financial Statements

Notes forming part of financial statements as at and for the year ended December 31, 2018

5 (b) - Capital work-in-progress

Capital work-in-progress of ₹ 164 million (December 31,2017 ₹ 244 million) mainly comprises of plant and equipment and building being constructed in India.

5 (c) - Assets classified as held for sale #

(₹ in Million)

	December 31, 2018	December 31, 2017
Building	3	-
Freehold land	36	-
Plant and equipment	*	-
Net carrying value	**39**	**-**

* denotes figure less than a million

In November 2018, the Company has entered into Memorandum of Understanding (MOU) with a party for sale of aforesaid assets located at Mulund location subject to the terms and conditions specified in the MOU.

6 (a) - Intangible assets

(₹ in Million)

Particulars	Brand	Software	Technical know-how	Total	Goodwill
Year ended December 31, 2017					
Gross Carrying Amount					
Gross Carrying Amount as at January 1, 2017	2,375	35	79	**2,489**	731
Additions	-	25	-	25	-
Disposals	-	-	-	-	-
Closing Gross Carrying Amount	**2,375**	**60**	**79**	**2,514**	**731**
Accumulated amortisation					
Opening Accumulated Depreciation	523	14	71	**608**	**-**
Amortisation charge during the year	382	18	8	408	-
Closing Accumulated amortisation	**905**	**32**	**79**	**1,016**	**-**
Net Carrying Amount as on December 31, 2017	**1,470**	**28**	*	**1,498**	**731**
Year ended December 31, 2018					
Gross Carrying Amount					
Opening Gross Carrying Amount	2,375	60	79	**2,514**	731
Additions	-	18	6	24	-
Disposals	-	-	-	-	-
Closing Gross Carrying Amount	**2,375**	**78**	**85**	**2,538**	**731**
Accumulated amortisation					
Opening Accumulated amortisation	905	32	79	**1,016**	-
Amortisation charge during the year	383	19	2	404	-
Closing Accumulated Depreciation	**1,288**	**51**	**81**	**1,420**	**-**
Net Carrying Amount as on December 31, 2018	**1,087**	**27**	**4**	**1,118**	**731**

* denotes figure less than a million

6 (b) - Intangible assets under development

Intangible assets under development of ₹ 47 million (December 31, 2017 ₹ 57 million) mainly comprises of software and product development.

Note:

Impairment testing for goodwill:

The shareholders of the Company had approved the Scheme of Amalgamation ('Scheme') between the Company and erstwhile Universal Medicare Private Limited ("UMPL") with an appointed date of November 2011 whereby all the assets and liabilities of "UMPL" which were transferred to and vested in the Company were recorded at their fair values from the appointed date. The goodwill pertains to the excess of purchase consideration over the fair values of the net assets taken over from "UMPL".

For the purposes of impairment testing, carrying amount of goodwill has been allocated to the Cash Generating Unit (CGU) as follows:

Particulars	December 31, 2018	December 31, 2017
Business acquired pursuant to amalgamation of erstwhile "Universal Medicare Private Limited"	731	731

The Company tests goodwill for impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The cash flow projections are based on five years financial budgets approved by management.

Following key assumptions were considered while performing Impairment testing

Particulars	
Long term sustainable growth rates	**1.5%-10%**
Weighted Average Cost of Capital % (WACC) before tax (Discount rate)	**13.75%**

The projection covers a period of five years, as we believe this to be the most appropriate timescale over which to review and consider annual performances before applying a fixed terminal value multiple to the final year cash flows. The growth rates used to estimate future performance are based on the conservative estimates from past performance.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash- generating unit.

(₹ in Million)

7 - Non-current financial assets - Investments

Particulars	December 31, 2018	December 31, 2017
Unquoted		
Equity instrument in Others (at fair through other comprehensive income)		
Bharuch Enviro Infrastructure Limited Number of shares as on December 31, 2018 : 2,188, (December 31, 2017 : 2,188) of ₹ 10 /- each fully paid up	*	*
Narmada Clean Tech Limited (Formerly known as Bharuch Eco-Acqua Infrastructure Limited) Number of shares as on December 31, 2018 : 236,000, (December 31, 2017 : 236,000) of ₹ 10 /- each fully paid up	2	2
Total	**2**	**2**

* denotes figure less than a million

8 - Non current financial assets - Loans

Particulars	December 31, 2018	December 31, 2017
Unsecured, considered good		
Loans to Fellow Subsidiaries [Given against corporate guarantee by Sanofi S.A France (ultimate holding company)] (Refer Note 39)	4,950	4,000
Loans to employees [Includes loan to a director ₹ 5 million (December 31, 2017; ₹ 5 million)] (Refer Note 39)	47	53
Security deposits	132	128
Unsecured, considered doubtful		
Security deposits	12	18
Loans to employees	2	2
Less : Allowance for doubtful security deposits and loans to employees	(14)	(20)
Total	**5,129**	**4,181**

9 - Non current financial assets - Other financial assets

Particulars	December 31, 2018	December 31, 2017
Unsecured, considered good		
Margin money deposits (Refer Note 15)	28	4
Other receivables	16	14
Other deposits	9	5
Total	**53**	**23**

(₹ in Million)

10 (a) - Income tax assets (net)

Particulars	December 31, 2018	December 31, 2017
Advance income tax (net of provision of ₹ 12,159 million; December 31, 2017 : ₹ 11,855 million)	1,135	1,086
Total	**1,135**	**1,086**

10 (b) -Current tax liabilities (net)

Particulars	December 31, 2018	December 31, 2017
Income tax provision (net of advance tax ₹ 5,695 million; December 31, 2017 : ₹ 3,607 million)	410	393
Total	**410**	**393**

11 - Other non-current assets

Particulars	December 31, 2018	December 31, 2017
Capital advances	6	2
Prepaid rentals	53	54
Total	**59**	**56**

12 - Inventories

Particulars	December 31, 2018	December 31, 2017
Finished goods	1,001	532
Traded goods (Including in transit ₹ 189 million; December 31, 2017 : ₹ 244 million)	943	1,014
Raw materials and Packing materials (Including in transit ₹ 64 million; December 31, 2017 : ₹ 138 million)	1,984	1,914
Work in progress	903	696
Total	**4,831**	**4,156**

(₹ in Million)

13 - Trade receivables

Particulars	December 31, 2018	December 31, 2017
Trade receivables	356	367
Receivables from related parties (Refer Note 39)	1,261	1,599
Less: Allowances for doubtful debts	(33)	(15)
Total	**1,584**	**1,951**

Breakup up of security details

Particulars	December 31, 2018	December 31, 2017
Unsecured, considered good	1,584	1,951
Doubtful	33	15
Total	**1,617**	**1,966**
Less: Allowances for doubtful debts	(33)	(15)
Total	**1,584**	**1,951**

Trade receivables are due neither from directors or other officers of the Company either severally or jointly with any other person nor from firms or private companies respectively in which any director is a partner, a director or a member.

14 - Cash and cash equivalents

Particulars	December 31, 2018	December 31, 2017
Balances with banks		
- in current accounts	921	597
- in EEFC accounts	64	52
Cash on hand	*	*
Deposits with banks with original maturity of less than 3 months	7,266	6,566
Total	**8,251**	**7,215**

* denotes figure less than a million

15 - Other bank balances

Particulars	December 31, 2018	December 31, 2017
Margin money deposits (Refer Note below)	40	58
Unpaid dividend accounts	28	26
Total	**68**	**84**

Margin money deposit given as security

Margin money deposits with carrying amount of ₹ 68 mio. (December 31, 2017 : ₹ 62 mio.) are subject to first charge to secure bank gurantees issued by banks on behalf of the Company.

(₹ in Million)

16 - Current Loans

Particulars	December 31, 2018	December 31, 2017
Unsecured, considered good		
Loans to employees [Includes loan to a director ₹ * million (December 31, 2017; ₹ * million)] (Refer Note 39)	40	35
Security deposits	3	-
Total	**43**	**35**

* denotes figure less than a million

17 - Other current assets

Particulars	December 31, 2018	December 31, 2017
Advance payments to suppliers	6	96
Export benefits receivable	274	200
Balance with government authorities	693	541
Prepaid expenses	48	44
Finished goods samples and others	85	116
Total	**1,106**	**997**

18 - Share capital and other equity

18(a) - Equity share capital

(i) Authorised share capital

Particulars	Number of shares	Amount
As at December 31, 2017	235,000,000	235
Increase during the year	-	-
As at December 31, 2018	**235,000,000**	**235**

Issued, Subscribed and Paid up :

(ii) Movements in equity share capital

Particulars	Number of shares	Amount
As at December 31, 2017	23,030,622	230
Issued during the year	-	-
As at December 31, 2018	**23,030,622**	**230**

(iii) Terms and rights attached to equity shares

The Company has only one class of equity shares having a face value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholder.

(₹ in Million)

(iv) Shares held by holding and ultimate holding Company

13,904,722 (December 31, 2017 : 13,904,722;) equity shares of ₹ 10 each fully paid are held by Hoechst GmbH, Germany, holding Company and 4,865 (December 31, 2017 : 4,865;) equity shares of ₹ 10 each fully paid are held by Sanofi S.A., France ultimate holding Company.

(v) Details of shareholders holding more than 5% shares in the Company

Particulars	December 31, 2018	December 31, 2017
Equity Shares of ₹ 10 each fully paid		
Hoechst GmbH, Germany		
- No of shares	13,904,722	13,904,722
- % of holding	60.37%	60.37%

18(b) - Reserves and surplus

Particulars	December 31, 2018	December 31, 2017
Securities premium	20	20
Retained earnings	18,151	16,304
General reserve	3,454	3,454
Share options outstanding account	337	256
Total	**21,962**	**20,034**

(i) Securities premium

Particulars	December 31, 2018	December 31, 2017
Opening balance	**20**	**20**
Movement during the year	-	-
Closing balance	**20**	**20**

(ii) Retained earnings

Particulars	December 31, 2018	December 31, 2017
Opening balance	**16,304**	**14,941**
Profit for the year	3,806	3,260
Other comprehensive income of the year	13	(13)
Interim dividend [Refer Note 51 (b)]	(415)	(415)
Final dividend [Refer Note 51 (b)]	(1,221)	(1,152)
Dividend distribution tax	(336)	(317)
Closing balance	**18,151**	**16,304**

(iii) General reserve

Particulars	December 31, 2018	December 31, 2017
Opening balance	**3,454**	**3,454**
Movement during the year	-	-
Closing balance	**3,454**	**3,454**

(₹ in Million)

(iv) Share options outstanding account

Particulars	December 31, 2018	December 31, 2017
Opening balance	**256**	**185**
Employee stock option expense (Refer Note 40)	81	71
Closing balance	**337**	**256**

Nature and purpose of reserves:

1) Securities premium

Securities premium is created when shares are issued at premium. This is utilised in accordance with the provisions of the Companies Act, 2013.

2) General reserve

General reserve is created out of profits of the Company. The reserve is utilised in accordance with the provisions of Companies Act, 2013.

3) Share options outstanding account

The share options outstanding account is used to recognise the fair value of restricted stock units as at grant date issued by the Ultimate holding Company, Sanofi S.A to the Company's eligible employees.

19 - Non-current employee benefit obligations

Particulars	December 31, 2018	December 31, 2017
Pension (Refer Note 41)	1	1
Compensated absences	283	265
Long service awards	23	22
Gratuity (Refer Note 41)	184	177
Total	**491**	**465**

20 - Trade payables

Particulars	December 31, 2018	December 31, 2017
Outstanding dues of micro enterprises and small enterprises (Refer Note 47)	192	236
Outstanding dues of creditors other than micro enterprises and small enterprises:		
(I) Trade payables to related parties (Refer Note 39)	1,334	945
(ii) Trade payables-others	1,912	2,088
Total	**3,438**	**3,269**

21 - Other current financial liabilities

Particulars	December 31, 2018	December 31, 2017
Other payables	*	11
Other payables to related parties (Refer Note 39)	77	35
Unclaimed dividend #	28	26
Liability for capital goods	154	65
Total	**259**	**137**

* denotes figure less than a million

There are no amounts due for payment to the Investor Education and Protection Fund (IEPF) under Section 125 of the Companies Act, 2013 as at the year end.

(₹ in Million)

22 - Current provisions

Particulars	December 31, 2018	December 31, 2017
Provision for sales return (Refer Note 44)	597	609
Provision for indirect tax (Refer Note 44)	271	223
Others (Refer Note 44)	416	417
Total	**1,284**	**1,249**

23 - Current employee benefit obligations

Particulars	December 31, 2018	December 31, 2017
Employee related liabilities	573	709
Pension (Refer Note 41)	*	1
Compensated absences	42	39
Long service awards	2	3
Gratuity (Refer Note 41)	99	96
Total	**716**	**848**

* denotes figure less than a million

24 - Other current liabilities

Particulars	December 31, 2018	December 31, 2017
Advances from customers	41	52
Statutory liabilities	78	69
Total	**119**	**121**

25 - Liabilities directly associated with assets classified as held for sale

Particulars	December 31, 2018	December 31, 2017
Other payables	9	-
Total	**9**	**-**

26 - Revenue from operations

Particulars	December 31, 2018	December 31, 2017
Sale of products	25,940	23,268
Sale of services	1,457	1,395
Other operating income		
Scrap sale	14	10
Indirect taxes set off / refunds	25	37
Export incentives	266	198
Others	6	6
Total	**27,708**	**24,914**

(₹ in Million)

27 - Other income

Particulars	December 31, 2018	December 31, 2017
Interest	789	721
Rent (Refer Note 43)	1	1
Exchange differences (net)	76	66
Miscellaneous Income	31	19
Total	**897**	**807**

28 - Cost of materials consumed

Particulars	December 31, 2018	December 31, 2017
Inventory at the beginning of the year	1,914	1,712
Add: Purchases	8,080	6,354
Less: Inventory at the end of the year	1,984	1,914
Total	**8,010**	**6,152**

29 - Changes in Inventories of Finished goods, Work in progress and Traded Goods

Particulars	December 31, 2018	December 31, 2017
Inventory at the end of the year		
Finished goods	1,001	532
Traded Goods	943	1,014
Work in progress	903	696
	2,847	2,242
Inventory at the beginning of the year		
Finished goods	532	505
Traded Goods	1,014	2,160
Work in progress	696	554
	2,242	3,219
Total	**(605)**	**977**

30 - Employee benefit expense

Particulars	December 31, 2018	December 31, 2017
Salaries, wages and bonus	3,589	3,255
Contribution to provident fund and other funds	175	164
Gratuity (Refer Note 41)	68	65
Staff welfare expenses	155	130
Employee share based payment expense (Refer Note 40)	81	71
Total	**4,068**	**3,685**

(₹ in Million)

31 - Finance costs

Particulars	December 31, 2018	December 31, 2017
Interest on employee benefit related liabilities	-	11
Other Interest (Refer Note 47)	7	-
Total	**7**	**11**

32 - Depreciation and amortisation expense

Particulars	December 31, 2018	December 31, 2017
Depreciation on property, plant and equipment [Refer Note 5(a)]	623	614
Amortisation of intangible assets [Refer Note 6(a)]	404	408
Total	**1,027**	**1,022**

33(a) - Other expenses

Particulars	December 31, 2018	December 31, 2017
Advertisement and sales promotion	709	705
Auxiliary and other materials	171	171
Expenditure towards Corporate Social Responsibility (CSR) Activities (Refer Note 48)	93	83
Excise duty	-	278
Insurance	85	88
Legal and professional fees	692	646
Auditors' remuneration [(Refer Note 33(b)]	7	7
Power and fuel	400	334
Rates and taxes	177	58
Rent (Refer Notes 42 and 43)	151	174
Repairs - buildings	24	38
Repairs - others	138	150
Repairs - plant and machinery	101	78
Selling and distribution expenses	1,251	1,120
Stores and spares	47	38
Toll manufacturing charges	510	390
Trainings and meetings	180	201
Travelling and conveyance	951	942
Provision for bad and doubtful debts (net)	18	-
Provision for doubtful advances and deposits	(6)	-
Provision for contingencies (Refer Note 46)	-	162
Loss on sale / Write-off of property, plant and equipment / Intangible Asset (net)	18	13
Miscellaneous expenses	229	320
Reimbursement of expenses #	-	(180)
Total	**5,946**	**5,816**

Includes reimbursement of marketing support from group companies.

(₹ in Million)

33(b) - Auditors' Remuneration

Particulars	December 31, 2018	December 31, 2017
Payment to Auditors:		
As auditor:		
Audit fees	4	4
In other capacities:		
Other Services	3	3
Reimbursement of Expenses	*	*
Total Payments to Auditors	**7**	**7**

* denotes figure less than a million

34 - Income Tax

34(a) - Income tax expense

Particulars	December 31, 2018	December 31, 2017
Current tax		
Current tax on profits for the year	2,409	1,861
Adjustments for current tax of prior periods	-	-
Total current tax expense	**2,409**	**1,861**
Deferred tax		
Decrease (increase) in deferred tax assets	(23)	75
(Decrease) increase in deferred tax liabilities	(94)	(50)
Total deferred tax expense / (credit)	**(117)**	**25**
Income tax expense	**2,292**	**1,886**

34(b) - Deferred tax liabilities for the year ended December 31, 2018 of ₹ 7 million [for the year ended December 31, 2017: ₹ 7 million (Deferred tax asset)] has been recognised in other comprehensive income on account of actuarial remeasurements of defined benefit plan.

No aggregate amounts of current and deferred tax have arisen in the reporting periods which have not been recognised in net profit or loss or other comprehensive income but directly debited / (credited) to equity.

34(c) - Reconciliation of tax expense and the accounting profit multiplied by tax rate:

Particulars	December 31, 2018	December 31, 2017
Profit before income tax	**6,098**	**5,146**
At statutory income tax rate of 34.94% (December 31, 2017: 34.61%)	2,131	1,781
Expenses not deductible for tax purposes	161	105
Effective income tax	**2,292**	**1,886**

34(d) - Deferred tax liabilities (net)

(₹ in Million)

Particulars	December 31, 2018	December 31, 2017
The balance comprises temporary differences attributable to:		
Provision for doubtful debts and advances	16	12
Disallowance under Section 43B and 40(a)(ia) of the Income Tax Act, 1961	140	131
Employee retirement and other long term benefits	213	210
Total deferred tax assets	**369**	**353**
Depreciation	1,247	1,341
Reversal of goodwill amortisation	43	43
Total deferred tax liabilities	**1,290**	**1,384**
Deferred tax liability (net)	**(921)**	**(1,031)**

Note: Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation laws.

34(e) - Movement in deferred tax assets / liabilities

(₹ in Million)

Particulars	Deferred Tax Assets				Deferred Tax Liabilities				Total
	Provision for doubtful debts and advances	Disallowance under Section 43B and 40(a)(ia) of the Income Tax Act, 1961	Employee retirement and other long term benefits	Total	Depreciation	Disallowance under Section 43B and 40(a)(ia) of the Income Tax Act, 1961	Reversal of goodwill amortisation	Total	
At at January 1, 2017	**12**	**232**	**177**	**421**	**(1,387)**	**(4)**	**(43)**	**(1,434)**	**(1,013)**
(debited) / credited:									
- to profit or loss	*	(101)	26	(75)	46	4	-	50	(25)
- to other comprehensive income	-	-	7	7	-	-	-	-	7
At at December 31, 2017	**12**	**131**	**210**	**353**	**(1,341)**	**-**	**(43)**	**(1,384)**	**(1,031)**
(debited) / credited:									
- to profit or loss	4	9	10	23	94	-	-	94	117
- to other comprehensive income	-	-	(7)	(7)	-	-	-	-	(7)
At at December 31, 2018	**16**	**140**	**213**	**369**	**(1,247)**	**-**	**(43)**	**(1,290)**	**(921)**

* denotes figure less than a million

35 Operating Segment

The operations of the Company are limited to one segment viz. Pharmaceutical and related products. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only.

Operating segments are defined as components of an company for which discrete financial information is available that is evaluated regularly by Chief Operating Decision Maker ("CODM"), in deciding how to allocate resources and assessing performance.

Geographical revenues are allocated based on the location of the customers. Information regarding geographical revenue is as follows:

Revenue from external customers (₹ in Million)

Particulars	December 31, 2018	December 31, 2017
India	19,515	18,345
Singapore	7,173	5,803
Others	1,020	766
Total	**27,708**	**24,914**

Information about major customers

One single external customer (from entities under common control) represented 10% or more of the Company's total revenue during the year ended December 31, 2018 amounting to ₹ 9,185 million (December 31,2017: ₹ 7,655 million).

36 Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 223 Million (December 31, 2017: ₹ 226 Million).

37 Earnings per share

Particulars	December 31, 2018	December 31, 2017
Profit for the year (₹ in Million)	3,806	3,260
Weighted average number of shares	23,030,622	23,030,622
Nominal value per share (₹)	10	10
Basic and diluted earnings per share (₹)	165.48	141.74

38 Contingent Liabilities

(₹ in Million)

Particulars	December 31, 2018	December 31, 2017
Income Tax demands in respect of which*		
Tax authorities have appealed against Income tax orders which were ruled in favour of the Company	484	484
Company's appeals are pending before appropriate authorities / the Company is in process of filing an appeal with appropriate authorities	1,651	1,323

*Contingent liabilities in respect of pending tax assessments in relation to similar matters are not determinable and hence not disclosed.

39 Related Party Disclosures

i. Parties where control exists:

a) Sanofi S.A. France, ultimate holding Company

b) Hoechst GmbH, Germany, holding Company

ii. Other related parties in Sanofi Group where comon control exists and with whom transactions have taken place during the year.

Sanofi-Aventis Singapore Pte. Limited

Francopia S.A.R.L.

Sanofi-Aventis Deutschland GmbH

Sanofi-Aventis Groupe S.A.

Sanofi Lanka Limited

Sanofi Chimie S.A

Sanofi Pasteur India Private Limited

Sanofi-Synthelabo (India) Private Limited

Sanofi Winthrop Industrie S.A.

Sanofi-Aventis Pakistan Limited

Sanofi-Aventis Recherche et Développement S.A.*

Sanofi-Aventis Spa

Shantha Biotechnics Private Limited

Zentiva S.A. (till the closure of business hours of September 30, 2018)

Sanofi-Aventis Farmaseutical Limited*

Sanofi India Limited Provident Fund

* No transaction during the year

iii. Key management personnel of the Company for the year

Mr. Rajaram Narayanan	- Managing Director	(w.e.f. January 01, 2018) and (Whole Time Director till the closure of business hours of December 31, 2017)
Dr. Shailesh Ayyangar	- Managing Director	(till the closure of business hours of December 31, 2017) and (Non Executive Director w.e.f. January 01, 2018)
Mr. Ashwani Sood	- Whole Time Director	
Mr. Lionel Guerin	- Whole Time Director and CFO	(till the closure of business hours of June 30, 2018)
Mr. Charles Billard*	- Whole Time Director and CFO	(CFO w.e.f. July 1, 2018) and (Whole Time Director w.e.f. July 25, 2018)
Mr. Girish Tekchandani	- Company Secretary	

*The Board of Directors at its meeting held on May 8, 2018, appointed Mr. Charles Billard as Chief Financial Officer of the Company with effect from July 1, 2018. The Board of Directors at its meeting held on July 25, 2018, subject to approval of members and Central Government also approved appointment of Mr. Charles Billard as Additional Director and Whole Time Director of the Company. The appointment as Whole Time Director was as per the provisions of Section 196 of the Companies Act, 2013 except for clause (e) of Part I of Schedule V as Mr. Charles Billard was not resident in India for a continuous period of twelve months immediately preceding the date of his appointment as Whole Time Director. In terms of the provisions of Section 196 of the Companies Act, 2013, the Company made an application to the Central Government for this appointment on November 21, 2018. The Central Government vide its letter dated February 4, 2019 informed the Company that the application has been taken on record and would be considered after receipt of the copy of the shareholders' approval.

iv. Non-Executive Directors

Mr. Thomas Rouckout	
Mr. Cyril Grandchamp-Desraux	
Dr. Shailesh Ayyangar	(w.e.f. January 01, 2018)
Mr. Lionel Guerin	(From July 01, 2018 to July 25, 2018)

v. Independent Directors

Mr. Aditya Narayan

Mr. A. K. R. Nedungadi (Resigned w.e.f. January 15, 2018)

Mr. S. R. Gupte (Resigned w.e.f. January 01, 2018)

Mr. Rangaswamy Iyer

Mrs. Usha Thorat

vi. Transaction during the year (₹ in Million)

Particulars	December 31, 2018	December 31, 2017
Ultimate Holding Company		
Dividend paid	*	*
Holding Company		
Dividend paid	987	946
Other related Parties		
Sale of Products		
Sanofi-Aventis Singapore Pte. Limited	7,147	5,772
Others	581	496
Total	**7,728**	**6,268**
Purchase of Raw Material and Traded Goods		
Sanofi-Aventis Singapore Pte. Limited	5,583	4,075
Francopia S.A.R.L.	734	523
Others	9	18
Total	**6,326**	**4,616**
Expenses recharged to other companies		
Sanofi-Aventis Singapore Pte. Limited	-	178
Sanofi-Aventis Groupe S.A.	12	1
Sanofi Winthrop Industrie S.A.	4	-
Sanofi Pasteur India Private Limited	4	3
Others	3	1
Total	**23**	**183**
Sale of Services		
Sanofi-Synthelabo (India) Private Limited	1,092	1,156
Sanofi Pasteur India Private Limited	175	158
Sanofi Winthrop Industrie S.A.	159	38
Others	31	35
Total	**1,457**	**1,387**
Sale of property, plant and equipment		
Sanofi-Synthelabo (India) Private Limited	5	-
Sanofi-Aventis Groupe S.A.	1	-
Total	**6**	**-**
Rent Income		
Sanofi-Synthelabo (India) Private Limited	1	1
Loans repaid		
Sanofi Pasteur India Private Limited	100	350
Mr. Ashwani Sood	*	*
Total	**100**	**350**

* denotes figure less than a million

(₹ in Million)

Particulars	December 31, 2018	December 31, 2017
Loans given		
Shantha Biotechnics Private Limited	450	900
Sanofi Pasteur India Private Limited	600	350
Total	**1,050**	**1,250**
Interest income on loans		
Shantha Biotechnics Private Limited	410	313
Sanofi Pasteur India Private Limited	6	5
Total	**416**	**318**
Expenses recharged by other companies		
Zentiva S.A.	48	26
Sanofi-Synthelabo (India) Private Limited	11	32
Sanofi Winthrop Industrie S.A.	-	14
Sanofi Lanka Limited	29	33
Sanofi-Aventis Singapore Pte. Limited	-	12
Others	10	5
Total	**98**	**122**
Contribution to In-house Trust for Post Employment Benefits - Provident Fund		
Sanofi India Limited Provident Fund #	265	249
Payment towards Intangibles under development		
Sanofi-Synthelabo (India) Private Limited	17	11
Key Management Personnel Remuneration		
Remuneration		
Mr. Rajaram Narayanan	35	35
Dr. Shailesh Ayyangar	-	18
Mr. Ashwani Sood	12	14
Mr. Lionel Guerin	7	14
Mr. Charles Billard	9	-
Mr. Girish Tekchandani	11	12
Total	**74**	**93**
Share based payment		
Mr. Rajaram Narayanan	13	9
Dr. Shailesh Ayyangar	-	9
Mr. Ashwani Sood	-	3
Mr. Lionel Guerin	3	3
Mr. Charles Billard	2	-
Total	**18**	**24**
Sitting Fees to Independent Directors		
Mr. Aditya Narayan	*	*
Mr. Rangaswamy R. Iyer	*	*
Ms. Usha Thorat	*	*
Mr. S. R. Gupte (upto December 31, 2017)	-	*
Mr. A. K. R. Nedungadi (upto January 15, 2018)	-	*
Total	**2**	**3**

* denotes figure less than a million

including contribution by employees.

(₹ in Million)

Commission to Independent Directors	December 31, 2018	December 31, 2017
Mr. Aditya Narayan	2	2
Mr. Rangaswamy R. Iyer	*	*
Ms. Usha Thorat	*	*
Mr. Subhash R. Gupte (upto December 31, 2017)	-	*
Mr. A. K. R. Nedungadi (upto January 15, 2018)	*	*
Total	**3**	**5**

* denotes figure less than a million

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. For the year ended 31 December 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2017: NiL). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

vii. Outstanding as at December 31, 2018 (₹ in Million)

Particulars	December 31, 2018	December 31, 2017
Other related Parties		
Trade Receivables		
Sanofi-Aventis Singapore Pte. Limited	864	1,248
Sanofi-Synthelabo (India) Private Limited	183	114
Others	214	237
Total	**1,261**	**1,599**
Trade Payables		
Sanofi-Aventis Singapore Pte. Limited	898	824
Francopia S.A.R.L.	344	31
Others	92	90
Total	**1,334**	**945**
Others Payables		
Sanofi-Synthelabo (India) Private Limited	42	-
Sanofi-Aventis Singapore Pte. Limited	35	35
Total	**77**	**35**
Loans receivable		
Shantha Biotechnics Private Limited#	4,450	4,000
Sanofi Pasteur India Private Limited *	500	-
Mr. Ashwani Sood**	5	5
Total	**4,955**	**4,005**

#Loans given to Shantha Biotechnics Private Limited at the rate of interest of 9.5% p.a.
Maximum balance outstanding during the year ₹ 4,450 Million (December 31, 2017 : ₹ 4,000 Million).
The said loans have been proposed to be utilized by Shantha Biotechnics Private Limited for business purpose.
The loans have been given against corporate guarantee by Sanofi S.A. (Ultimate Holding Company. The Maturity Date of same is 15th April 2020).

*Loans given to Sanofi Pasteur India Private Limited at the rate of interest of 9.5% p.a.

Maximum balance outstading during the year ₹ 600 Million (December 31, 2017 : NiL)

The said loans have been proposed to be utilized by Sanofi Pasteur India Private Limited for business purpose.

The loans have been given against corporate guarantee by Sanofi S.A. (Ultimate Holding Company. The Maturity Date of same is 15th April 2020).

**Given as per the Company's policies for employees.

40 Share Based Payments

Restricted Stock Units (RSU's)

The Company does not provide any equity based compensation to its employees. However, the ultimate holding company, Sanofi SA, France ("the grantor") maintains equity incentive plans that provide for award of restricted share plans to certain employees of the Company. The terms of those plans make the award contingent on the attainment of certain performance criteria which are defined grants. The vesting period of such plans is either three or four years.

The fair value of an equity instrument granted under a plan is the market price of the share at the grant date, adjusted for expected dividends during the vesting period.

Particulars	December 31, 2018		December 31, 2017	
	Weighted Average grant date fair value (in euro)	Number of of Units	Weighted Average grant date fair value (in euro)	Number of Units
Units outstanding at the beginning of the period	70	60,062	65	57,650
Units granted during the period	66	12,983	82	13,962
Exercised during the period	60	(16,800)	58	(11,550)
Forfeited / expired / lapsed during the period	-	-	-	-
Units outstanding at the end of the period	**72**	**56,245**	**70**	**60,062**

Weighted average remaining contractual life of RSUs outstanding at the end of the year

	Life in (years)
As at December 31, 2018	2
As at December 31, 2017	2

Expenses arising from share based payment transactions

Total expenses arising from share-based payment transactions recognised in profit or loss as part of employee benefit expense are as follows:

(₹ in Million)

Particulars	December 31, 2018	December 31, 2017
Employee share based payment expense	81	71

41 Employee Benefits

Defined Contribution Plans

The Company makes contributions towards provident fund (Ankleshwar and Nepal), superannuation fund and pension scheme to a defined contribution retirement benefit plan for qualifying employees. The superannuation fund is administered by the Life Insurance Corporation of India (LIC). Under the plan, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit plan to fund the benefits.

The Company has recognised the following amounts in the statement of Profit and Loss for the year:

(₹ in Million)

Particulars	December 31, 2018	December 31, 2017
i) Contribution to Employees' Provident Fund (Ankleshwar and Nepal)	4	3
ii) Contribution to Employees' Superannuation Fund	32	26
iii) Contribution to Employee's Pension Scheme, 1995	46	45

Defined Benefit Plans

I) Other long term employee benefits

Compensated absences (included as a part of salaries and wages in Note 30 - Employee benefits)
All eligible employees can carry forward and avail / encash leave as per Company's rules.

Long Service Award (included as a part of salaries and wages in Note 30 - Employee benefits)
Under this scheme, long service benefits accrues to the employees, while in service and is payable upon completion of stipulated services with the Company.

II) Post employment employee benefits plans

A. Gratuity

Gratuity is payable to all eligible employees of the Company on superannuation, death and permanent disablement in terms of provisions of the Payment of Gratuity Act or as per the Company's Scheme whichever is more beneficial. Benefit would be paid at the time of separation based on the last drawn base salary.

B. Pension plan

Under the Company's Pension scheme, certain executives are eligible for fixed pension for five years, depending on their level at the time of retirement on superannuation, death or early retirement with the consent of the Company.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity and pension plan. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity and Pension plan and the amounts recognised in the Company's financial statements as at the Balance Sheet date:

Actuarial Assumptions

Particulars	Gratuity		Pension Plan	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Discount Rate (per annum)	7.76%	7.90%	7.76%	7.90%
Expected Rate of Return on Plan Assets	7.76%	7.90%	-	-
Salary Escalation rate	9% for the next 1 year, 7% for the next 2 years, and 6% thereafter	8% for 3 years and 6% thereafter	9% for the next 1 year, 7% for the next 2 years, and 6% thereafter	8% for 3 years and 6% thereafter
Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Employees attrition rate	1%	1%	1%	1%

Notes:

1) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion, and other relevant factors, such as supply and demand in the employment market.

2) The discount rate is based on the prevailing market yields of Indian Government securities as at the Balance sheet date for the estimated term of the obligation.

i) **Reconciliation of present value of obligations ('PVO') – defined benefit obligation:** (₹ in Million)

Particulars	Gratuity		Pension Plan	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Liability at the beginning of the period	702	642	2	3
Interest Cost	55	45	*	*
Current Service Cost	47	48	-	*
Employees Contribution	-	-	-	-
Interest Guarantee	-	-	-	-
Benefits Paid	(90)	(58)	(*)	(1)
Transfer from previous employer's	-	-	-	-
Liability Transfer In	-	-	-	-
Liability Transfer Out	-	-	-	-
Provision for diminution in fair value of Plan assets	-	-	-	-
Actuarial (gain) / loss on Financial Assumption	4	(61)	*	(*)
Actuarial (gain) / loss on Demographic Assumption	(4)	-	-	-
Actuarial (gain) / loss on Experience	(21)	86	(*)	(*)
Liability at the end of the year	**693**	**702**	**1**	**2**

*denotes figure less than a million

ii) **Fair value of Plan Assets** (₹ in Million)

Particulars	Gratuity		Pension Plan	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Fair Value of Plan Assets at the beginning of the year	429	406	-	-
Expected Return on Plan Assets	34	28	-	-
Interest Shortfall paid by the Company	-	-	-	-
Employer's Contributions	*	12	-	-
Employees Contribution	-	-	-	-
Benefits Paid	(52)	(22)	-	-
Transfer from Other Approved Funds	-	-	-	-
Provision for diminution in fair value of Plan assets	-	-	-	-
Return on plan Asset, Excluding Interest	(1)	5	-	-
Fair Value of Plan Assets at the end of the year	**410**	**429**	**-**	**-**

*denotes figure less than a million

iii) **Amount Recognised in the Balance Sheet** (₹ in Million)

Particulars	Gratuity		Pension Plan	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31 2017
Liability at the end of the year	693	702	1	2
Fair Value of Plan Assets at the end of the year	410	429	-	-
Amount Recognised in the Balance Sheet	**283**	**273**	**1**	**2**

iv) Expenses Recognised in the Income Statement (₹ in Million)

Particulars	Gratuity		Pension Plan	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Current Service Cost	47	48	-	*
Interest Cost on benefit obligation (net)	21	17	*	*
Past Service Cost	-	-	-	-
Expected Contribution	-	-	-	-
(Gain / Losses on Curtailment and Settlement	-	-	-	-
Net Effect of Change in Foreign Exchange Rates	-	-	-	-
Expenses Recognised	**68**	**65**	*****	*****

*denotes figure less than a million

v) Expenses Recognised in Other Comprehensive Income (OCI) for current Period (₹ in Million)

Particulars	Gratuity		Pension Plan	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Actuarial changes arising from changes in financial assumptions	4	(61)	*	(*)
Actuarial changes arising from changes in demographic adjustments	(4)	-	-	-
Actuarial changes arising from changes in experience adjustments	(21)	86	(*)	(*)
Return on Plan Asset, Excluding Interest Income	1	(5)	-	-
Change in Asset Ceiling	-	-	-	-
Net (Income) / Expense for period	**(20)**	**20**	**(*)**	**(*)**

*denotes figure less than a million

vi) Maturity profile of defined benefit obligations (₹ in Million)

Projected Benefits Payable in Future Years From the Date of Reporting	Gratuity	Pension Plan
1 year (within next 12 months)	78	*
2 to 5 years	185	*
6 to 10 years	386	1

*denotes figure less than a million

vii) Sensitivity Analysis Gratuity Pension Plan (₹ in Million)

Particulars	Gratuity		Pension Plan	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Benefit Obligation on Current Assumptions	693	702	1	2
Effect of +0.5% Change in Rate of Discounting	(31)	(30)	(*)	(*)
Effect of -0.5% Change in Rate of Discounting	34	33	*	*
Effect of +0.5% Change in Rate of Salary Increase	34	32	-	-
Effect of -0.5% Change in Rate of Salary Increase	(32)	(31)	-	-
Effect of +0.5% Change in Rate of Employee Turnover	5	5	-	-
Effect of -0.5% Change in Rate of Employee Turnover	(5)	(5)	-	-

viii) **Risk exposure :**

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below :

Investment risk: If future investment returns on assets are lower than assumed in valuation, the scheme's assets will be lower and the funding level higher than expected.

Changes in bond yields: A decrease in yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Longevity risk: If improvements in life expectancy are greater than assumed, the cost of benefits will increase because pensions are paid for longer period than expected. This will mean the funding level will be higher than expected.

Inflation risk: If inflation is greater than assumed, the cost of benefits will increase as pension increases and deferred revaluations are linked to inflation.

ix) **Broad category of Plan assets relating to Gratuity**

Particulars	Gratuity	
	December 31, 2018	December 31, 2017
*Fund managed by Life Insurance Corporation of India (unquoted)	100%	100%

*Fund is Managed by LIC as per IRDA guidelines, category-wise composition of the plan assets is not available.

C. Provident Fund (other than Ankleshwar and Nepal)

The Company manages the provident fund through a Provident Fund Trust for its employees (except Staff and Workmen at Ankleshwar and Nepal unit) which are permitted under The Employees' Provident Fund and Miscellaneous Provisions Act, 1952. Eligible employees receive benefits from the said Provident Fund. Both the employees and the Company make monthly contributions to the Provident Fund Trust equal to a specified percentage of the covered employee's salary. The minimum interest rate payable by the Trust to the beneficiaries every year is being notified by the Government of India. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate. The Board of Trustees administers the contributions made by the Company to the schemes and also defines the investment strategy.

The Company has an obligation to service the shortfall on account of interest generated by the fund and on maturity of fund investments and hence the same has been classified as Defined Benefit Plan in accordance with Ind AS 19 "Employee Benefits". As per the Guidance Note from the Actuarial Society of India, the Company has obtained the actuarial valuation of interest rate obligation in respect of Provident Fund as at December 31, 2018 and based on the same, there is no shortfall towards interest rate obligation.

42 Operating lease

Future lease commitments in respect of non-cancellable operating leases:

Where Company is the lessee: (₹ in Million)

Particulars	December 31, 2018	December 31, 2017
Charged to Statement of profit and loss#	1	1
Not later than one year	1	2
Later than one year but not later than five years	-	2
Later than five years	-	-

#Cars are obtained on operating lease for a period of five years. There are no restrictions imposed by lease arrangements. There are no subleases.

43 In respect of cancellable operating leases, lease charges charged to Statement of Profit and Loss

(₹ in Million)

Particulars	December 31, 2018	December 31, 2017
Car Lease Charges**	45	45
Other Lease Charges**	105	128
Total	**150**	**173**

** Office, Residential Premises and Cars are obtained on operating lease. There is no provision for renewal. There are no restrictions imposed by leased arrangements. There are no subleases.

Where Company is the lessor:

In respect of non-cancellable operating leases (₹ in Million)

Particulars	December 31, 2018	December 31, 2017
Credited to Statement of profit and loss	1	1
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-

44 Other provisions:

Movements in provisions:

(₹ in Million)

Particulars	Class of provisions			
	Indirect tax	Provision for Sales Returns	Others	Total
Balance as at January 1, 2018	223 (250)	609 (615)	417 (282)	1,249 (1,147)
Amount provided during the year	113 (76)	845 (431)	- (166)	958 (673)
Amount written back / paid during the year	65 (103)	857 (437)	1 (31)	923 (571)
Balance as at December 31, 2018	271 (223)	597 (609)	416 (417)	1,284 (1,249)

Note: Figures in brackets are for the previous year.

1. Provision for indirect taxes represents differential excise duty, sales tax, customs duty and service tax in respect of which the claims are pending before various authorities for a considerable period of time and based on management's estimate of claims provision is made on prudent basis that possible outflow of resources may arise in future.
2. Provision for sales returns are on account of expected date expiry and breakages returns based on historical trends.
3. Other provisions on prudent basis are towards possible outflow of resources in respect of legal cases pending against the Company or in respect of contractual obligations of the Company.

45 Derivative Instruments and Un-hedged Foreign Currency Exposure:

Particulars of Derivatives Instruments as at Balance sheet date

Particulars of Derivatives	Foreign Currency	December 31, 2018		December 31, 2017	
		Foreign Currency Value	₹ in Million	Foreign Currency Value	₹ in Million
Forward Exchange contracts for the foreign exchange exposures of receivables on account of export of goods and services.	EUR	2,500,000	199	-	-

Particulars of un-hedged Foreign Currency exposure as at Balance sheet date

Particulars of Derivatives	Foreign Currency	December 31, 2018		December 31, 2017	
		Foreign Currency Value	₹ in Million	Foreign Currency Value	₹ in Million
Trade Payables	EUR	12,354,331	986	9,117,132	697
	USD	885,887	62	915,146	58
	GBP	85,000	8	19,356	2
Trade Receivables	EUR	11,761,602	938	16,647,063	1,272
	USD	879,156	61	1,172,647	75
Cash and Bank Balances	EUR	611,956	49	538,342	41
	USD	225,080	16	167,386	11

* denotes figure less than a million

46 (a) Consequent upon the decision of the Supreme Court in the matter of prices of certain bulk drugs fixed by the Government of India under the Drug (Prices Control) Order, 1979, the Company paid an amount of ₹ 31 Million in 1988 being the liability determined by the Special Team appointed by the Government. However, during 1990, fresh demands aggregating to ₹ 781 Million alleged to be payable into the Drug Prices Equalisation Account (DPEA) were made by the Government on account of alleged unintended benefit enjoyed by the Company. The Government has also made certain claims for applicable interest. On a Writ Petition filed by the Company in 1991, the Bombay High Court passed an order whereby the demands were to be treated as show cause notices. The High Court directed the Company and the Government to furnish relevant data to each other based on which the Government was to rework the figures. The Government did not furnish the requisite data to the Company. In 1995, a further demand of ₹ 80 Million was made by the Government.

In the meantime, a Committee was constituted by the Government to determine the liabilities of the Drug Companies. The Company filed written submissions with the Committee and contended during the personal hearing that in the absence of the Government furnishing the requisite data as directed by the Bombay High Court, the Company was not in a position to make an effectual presentation before the Committee.

In January 1999, the Company filed an Application before the Bombay High Court seeking directions to the Government to furnish the requisite data. The Application is pending. In the meantime, the Committee has deferred further hearing of the Company's case, until the Application is heard and decided by the Bombay High Court. In any event, the Company is contesting the above demand.

(b) National Pharmaceutical Pricing Authority (NPPA) has raised demands on the Company for alleged overcharging on some of its products. The Company has contested the demands by filing writ petitions in the Delhi High Court. The Hon'ble High Court has issued notice in those matters and restrained NPPA from taking any coercive action in respect of the demands. However, as a matter of abundant precaution, an amount of ₹ 162 million has been provided in the books of account during the year ended December 2017.

47 Micro and Small Enterprises

The Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

(₹ in Million)

Particulars	December 31, 2018	December 31, 2017
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year:		
(i) Principal Amount	178	229
(ii) Interest thereon remaining unpaid	14	7
Total	**192**	**236**
Amount of interest paid in terms of Section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	7	4
Amount of interest accrued and remaining unpaid at the end of each accounting year; and	7	4
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	14	7

* denotes figure less than a million

48 Disclosure on Corporate Social Responsibility as per the provisions of Section 135 of the Companies Act, 2013

a. Gross amount required to be spent by the Company during the year was ₹ 93 Million (December 31, 2017 ₹ 78 Million)

b. Details of amount spent during the year

(₹ in Million)

Particulars	Paid	Yet to be Paid	Total
I) Construction/acquisition of any asset	-	-	-
ii) On purpose other than (I) above			
a) Towards Public Private Partnership with the Government of Maharashtra to impact outcomes of patients having non-communicable diseases.	*	*	*
b) Towards Diabetes with Dignity	2	-	2
c) Towards Counselling patients to manage their diabetes and create awareness on early detection	68	5	73
d) Towards enhancing skills of students of Cardiology / Cardio-thoracic surgery	5	-	5
e) Towards Employee volunteering - Joy in Outreach	1	-	1
f) Towards Grants / Donation	5	-	5
g) Towards skill development of youth skilled Labour	6	1	7
Total	**87**	**6**	**93**

* denotes figure less than a million

c. Details of amount spent during the year ending on December 31, 2017

(₹ in Million)

Particulars	Paid	Yet to be Paid	Total
i) Construction / acquisition of any asset	-	-	-
ii) On purpose other than (I) above			
a) Towards Public Private Partnership with the Government of Maharashtra to impact outcomes of patients having non-communicable diseases.	3	-	3
b) Towards Diabetes with Dignity	8	-	8
c) Towards Counselling patients to manage their diabetes and create awareness on early detection	44	5	49
d) Towards enhancing skills of students of Cardiology / Cardio-thoracic surgery	11	-	11
e) Towards Employee volunteering - Joy in Outreach	2	-	2
f) Towards Grants / Donation	9	1	10
Total	**77**	**6**	**83**

49 Fair value measurements

Financial instruments by category (₹ in Million)

	December 31, 2018			December 31, 2017		
	FVTPL	FVTOCI	Amortised cost	FVTPL	FVTOCI	Amortised cost
Financial assets						
Investments	-	2	-	-	2	-
Loans	-	-	5,172	-	-	4,216
Trade receivables	-	-	1,584	-	-	1,951
Cash and cash equivalents	-	-	8,251	-	-	7,215
Bank balances other than cash and cash equivalents	-	-	68	-	-	84
Other financial assets	-	-	53	-	-	23
Total financial assets	**-**	**2**	**15,128**	**-**	**2**	**13,489**
Financial liabilities						
Trade payables	-	-	3,438	-	-	3,269
Other financial liabilities	-	-	259	-	-	137
Total financial liabilities	**-**	**-**	**3,697**	**-**	**-**	**3,406**

Set out below, is a comparison by class of the carrying value and the fair value of the Company's financial assets/liabilities, other than those with the carrying amounts that are reasonable approximation of fair values mentioned in Note below.

The fair values mentioned below have been calculated based on discounted cash flows method. These are classified as Level 3 in the hierarchy due to the inclusion of unobservable inputs.

(₹ in Million)

Fair value of financial assets and liabilities measured at amortised cost	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at amortised cost				
Loans	5,129	5,129	4,181	4,181
Other receivables	16	16	14	14
Other deposits	9	9	5	5
Margin money deposits	28	28	4	4
	5,182	**5,182**	**4,204**	**4,204**
Financial assets at fair value through other comprehensive income (FVTOCI)				
Investment in equity instruments (Unquoted)*	2	2	2	2
	2	**2**	**2**	**2**

*For investment in equity instrument made in Narmada Clean Tech Limited (formerly known as Bharuch Eco-Acqua Infrastructure Limited), the cost (i.e. carrying value) represents the best estimate of fair value considering the nature of the investment.

There have been no transfers of amount between Level 1, Level 2 and Level 3 during the year.

Fair value of financial assets / liabilities measured at amortised cost

The carrying amounts of trade receivables, cash and cash equivalents, other bank balances, current loans, other financial assets, trade payables, other financial iabilities are considered to be the same as their fair values, as they are current in nature.

The categories used are as follows :

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Considering that all significant inputs required to fair value such instruments are observable, these are included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

50 Financial risk management

The Company's activities expose it to variety of financial risks namely market risk, credit risk and liquidity risk. The Company has various financial assets such as deposits, trade and other receivables and cash and bank balances directly related to their business operations. The Company's principal financial liabilities comprise of trade and other payables. The Company's senior management's focus is to foresee the unpredictability and minimize potential adverse effects on the Company's financial performance. The Company's overall risk management procedures to minimise the potential adverse effects of financial market on the Company's performance are as follows :

The Company's Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management is carried out by the management in consultation with the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific risk areas.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

(A) Management of Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and from its financing activities including deposits with banks and other financial instruments. The Company establishes an impairment allowance based on expected credit loss model that represents its estimate of incurred losses in respect of trade and other receivables.

(i) Trade and other receivables

The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 1,584 million as at December 31, 2018 (December 31, 2017 - ₹ 1,951 million). Trade receivables are typically unsecured and are derived from revenue earned from customers located in India as well as outside India.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry, the country and the state in which the customer operates, also has an influence on credit risk assessment. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. Further, significant sales of the Company are against advance payment/collection on delivery terms.

The management continuously monitors the credit exposure towards the customers outstanding at the end of each reporting period to determine incurred and expected credit losses.

The movement in the allowance for credit loss in respect of trade receivables was as follows: (₹ in Million)

	December 31, 2018	December 31, 2017
Opening balance	15	15
Changes in loss allowance	18	*
Closing balance	**33**	**15**

* denotes figure less than a million

The management believes that no further provision is necessary in respect of trade receivables based on historical trends of these customers.

The aging of trade receivables at the reporting date was as follows :

(₹ in Million)

	December 31, 2018	December 31, 2017
Not yet due	1,063	1,394
Past due 1-90 days	356	502
Past due 90-180 days	82	12
Past due 180-270 days	18	15
Past due above 270 days	98	43
Gross trade receivables	**1,617**	**1,966**
Less: Allowance for doubtful debts	(33)	(15)
Net trade receivables	**1,584**	**1,951**

Concentration of credit risk arises when counter parties are engaged in similar business activities or have similar economic features that would cause the ability to meet contractual obligations to be similarly affected by changes in economical, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company's exposure to customers is diversified and no single customer has significant contribution to trade receivable balances.

(ii) Cash and cash equivalents and bank balances

The Company held cash and cash equivalents of ₹ 8,251 million as at December 31, 2018 (December 31, 2017 : ₹ 7,215 million) and other bank balances of ₹ 68 million (December 31, 2017 : ₹ 84 mllion). Credit risk on cash and cash equivalents is limited as these are generally held or invested in deposits with banks and financial institutions with good credit ratings.

(iii) Loans

The Company has given loans to its fellow subsidiaries amounting to ₹ 4,950 million (December 31, 2017: ₹ 4,000 million). These loans are guaranteed by group Company i.e. Sanofi S.A.

The Company's maximum exposure to credit risk as at December 31, 2018 and December 31, 2017 is the carrying value of each class of Financial Assets.

(B) Liquidity Risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach in managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended December 31, 2018 and December 31, 2017. Cash Flow from operating activities provides the funds to service the financial liabilities on a day-to-day basis.

The following table shows the maturity analysis of the Company's all non- derivative, contractual financial liabilities based on agreed undiscounted cash flows along with its carrying value as at the Balance Sheet date.

(₹ in Million)

	Carrying amount	Undiscounted Amount		
		Payable within one year	Payable more than one year	Total
As at December 31, 2018				
Trade Payables	3,438	3,438	-	3,438
Unclaimed dividend	28	28	-	28
Liability of Capital Goods	154	154	-	154
Other Payables	77	77	-	77

(₹ in Million)

	Carrying amount	Undiscounted Amount		
		Payable within one year	Payable more than one year	Total
As at December 31, 2017				
Trade Payables	3,269	3,269	-	3,269
Unclaimed dividend	26	26	-	26
Liability of Capital Goods	65	65	-	65
Other Payables	46	46	-	46

(C) Management of Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks namely interest rate risk, currency risk and other price risk, such as commodity risk. The Company is not exposed to interest rate risk and other price risk whereas the exposure to currency risk is given below :

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates and arises where transactions are done in foreign currencies. It arises mainly where receivables and payables exist due to transactions entered in foreign currencies. The Company evaluates exchange rate exposure arising from foreign currency transactions and follows established risk management policies including use of derivatives like foreign exchange forward contracts to hedge foreign currency risk (Refer Note 45). The Company does not enter into financial instrument transactions for trading or speculative purposes. The Company's exposure to foreign currency risk at the end of reporting periods in ₹ as follows :

(₹ in Million)

Particulars	December 31, 2018		
	EUR	USD	GBP
Trade receivables	938	61	-
Cash and cash equivalents	49	16	-
Trade payables	(986)	(62)	(8)
Forward Exchange contracts	(199)	-	-
Net exposure	**(198)**	**15**	**(8)**

(₹ in Million)

Particulars	December 31, 2017		
	EUR	USD	GBP
Trade receivables	1,272	75	-
Cash and cash equivalents	41	11	-
Trade payables	(697)	(58)	(2)
Net exposure	**616**	**28**	**(2)**

Sensitivity - Foreign Currency

The sensitivity of profit or loss to changes in the exchange rates is as follows:

(₹ in Million)

	Impact on profit after tax	
	December 31, 2018	December 31, 2017
USD Sensitivity		
INR / USD increase by 1% (December 31, 2017 - 1%)#	*	*
INR / USD decrease by 1% (December 31, 2017 - 1%)#	(*)	(*)
EUR Sensitivity		
INR / EUR increase by 1% (December 31, 2017 - 1%)#	(1)	3
INR / EUR decrease by 1% (December 31, 2017 - 1%)#	1	(3)
GBP Sensitivity		
INR / GBP increase by 1% (December 31, 2017 - 1%)#	(*)	(*)
INR / GBP decrease by 1% (December 31, 2017 - 1%)#	*	*

Holding all other variables constant
* denotes figure less than a million

51 Capital management

(a) Risk management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity shareholders of the Company. The primary objective of the Company's capital management is to safeguard the Company's ability to remain as a going concern and maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions, annual operating plans and long term and other strategic investment plans. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The current capital structure of the Company is equity based with no financing through borrowings. The Company is not subject to any externally imposed capital requirement. No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2018 and December 31, 2017.

(b) Dividend

(₹ in Million)

	December 31, 2018	December 31, 2017
(i) Equity shares		
Final dividend for the year ended December 31, 2017 : ₹ 53 (December 31, 2016 : ₹ 50) per fully paid up share	1,221	1,152
Dividend distribution Tax on final dividend.	251	233
Interim dividend for the year ended December 31, 2018 : ₹ 18 (December 31, 2017 : ₹ 18) per fully paid up share	415	415
Dividend distribution Tax on final dividend.	85	84
(ii) Dividends not recognised at the end of the reporting period		
In addiion to the above dividends, subsequent to the year end the Board of Directors have recommended the payment of a final dividend of ₹ 66 per fully paid equity shares (December 31, 2017 : ₹ 53). This proposed dividend is subject to approval of shareholders in the ensuing annual general meeting.	1,520	1,221
Dividend distribution Tax on proposed dividend.	313	251

52 Previous year comparative figures have been regrouped wherever necessary.

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For Price Waterhouse & Co.
Chartered Accountants LLP
Firm Registration No. : 304026E/E-300009

Himanshu Goradia
Partner
Membership No : 45668
Place: Mumbai
Date: February 26, 2019

For and on behalf of the Board of Directors

Rajaram Narayanan
Managing Director
DIN:02977405
Place: Mumbai
Date : February 26, 2019

Usha Thorat
Director
DIN:00542778
Place: Mumbai
Date : February 26, 2019

Charles Billard
Whole Time Director & CFO
DIN:08173583
Place: Mumbai
Date: February 26, 2019

Girish Tekchandani
Company Secretary
Membership No :12602
Place: Mumbai
Date : February 26, 2019