



SUBSIDIARY COMPANIES FINANCIALS
2019-20

PART- A



Accelerating the Transformation

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27	Dr. Reddy's Laboratories SAS	773	Part-C
28	Dr. Reddy's Laboratories Taiwan Ltd.	813	Part-C
29	Dr. Reddy's Laboratories (Thailand) Limited	825	Part-C
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35	Dr. Reddy's Venezuela, C.A.	923	Part-C
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**AURIGENE DISCOVERY
TECHNOLOGIES (M) SDN BHD**
Company No. 200701031764 (789791 K)
(Incorporated in Malaysia)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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**TCMK ASSOCIATED
CHARTERED ACCOUNTANTS**

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

CORPORATE INFORMATION

Domicile: Malaysia

Legal form and place of incorporation: Private Company incorporated in Malaysia under the Companies Act 1965 and limited by shares.

Registered office: Wisma ADISS, Udarama Complex, No. 1-3A, 4th Floor, Jalan 1/64A, 50350 Kuala Lumpur.

Principal place of business: Level 2, Research Management & Innovation Complex), University of Malaya, Lembah Pantai 50603 Kuala Lumpur.

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020

The Directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 March 2020.

PRINCIPAL ACTIVITY

The company is a Biotechnology company. The principal activities of the company are providing drugs and pharmaceutical discovery, research and development services. There has been no significant change in the nature of these activities during the year.

RESULTS

The results of the operation of the company for the year ended 31 March 2020 are as follows:-

	RM
Profit after taxation	114,523
Retained profit brought forward	521,106
Retained profit carried forward	<u>635,629</u>

DIVIDEND

Since the last financial year of the company, the Directors have not recommended or paid any dividend.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year.

BAD AND DOUBTFUL DEBTS

Before the Income Statement and Balance Sheet of the company were made out, the Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts.

At the date of this report, the Directors of the company are not aware of any circumstances that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements, inadequate to any substantial extent.

CURRENT ASSETS

Before the Income Statement and Balance Sheet of the company were made out, the Directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of the business their value as shown in the accounting records of the company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances that would render the value attributed to the current assets in the financial statements of the company misleading.

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020
(Cont'd)

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of the assets or liabilities in the company financial statements misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report there does not exist:-

- i) any charge on the assets of the company that has arisen since the end of the financial year and secures the liabilities of any other persons, or
- ii) any contingent liability in respect of the company that has arisen since the end of the financial period.

No contingent liability or other liability of the company has been enforceable, or likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report of the financial statements of the company that would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transactions or event of material and unusual nature, likely in the opinion of the Directors, to affect substantially the results of the operations of the company for the current financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year there were no shares or debentures issued by the company.

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020
(Cont'd)

DIRECTORS OF THE COMPANY

The directors of the Company in office at any time during the year and since the end of the year up to the date of this report are:

Palanivel a/l K.V. Sathasivam	
Muralidhara Ramachandra	Appointed w.e.f 20.06.2019
Brijesh Kumar Karnani	Appointed w.e.f 26.03.2020
Chavali Satyanarayana Murthy	Resigned w.e.f 20.06.2019
Ashish Girdharilal Lath	Resigned w.e.f 26.03.2020

DIRECTORS' INTERESTS

According to the register of directors' shareholding under section 59 of the Companies Act 2016, the interests of directors in office at the end of the year in the ordinary shares of the Company and its related corporations during the year are as follows:

	<u>Balance</u> <u>01-4-2019</u>	<u>Bought</u> <u>Rights</u>	<u>Sold</u>	<u>Balance</u> <u>31-3-2020</u>
Palanivel a/l K.V. Sathasivam	1	-	-	1

HOLDING COMPANY

The holding company is AURIGENE DISCOVERY TECHNOLOGIES LIMITED, a company incorporated in Bangalore, Republic of India.

OPTION

During the year there were no options granted to anyone by the company to take up unissued shares in the company.

As at the year-end there were no option pending on the unissued shares of the company.

DIRECTORATE

Rotation and retirement of Directors at the forthcoming Annual General Meeting will be in accordance with the Company's Articles of Association.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been the director, officer or auditor of the Company.

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020
(Cont'd)

DIRECTORS' BENEFITS

No Director of the company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments, received or due and receivable by the Directors as shown in Note 13 to the financial statements) by reason of a contract made by the company or related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

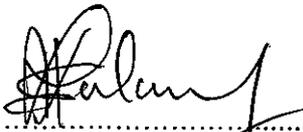
Neither during nor at the end of the financial year was the company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

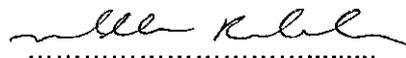
AUDITORS

The auditors, TCMK ASSOCIATED, Chartered Accountants (M) have indicated their willingness to continue in office.

The auditors' remuneration is disclosed in note 13 to the financial statements.

On behalf of the Board of Directors,


.....
Palanivel a/l K.V. Sathasivam


.....
Muralidhara Ramachandra

Dated: **25 JUN 2020**
Kuala Lumpur

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

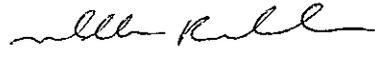
STATEMENT BY THE DIRECTORS

Pursuant to Section 251 (2) of the Companies Act, 2016, we PALANIVEL A/L K.V. SATHASIVAM and MURALIDHARA RAMACHANDRA, being the Directors of AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD hereby state that in the opinion of the Directors, the financial statements set out on the accompanying pages are drawn up in accordance with MFRSs and the provisions of the Companies Act, 2016 in Malaysia so as to give true and fair view of the financial position of the Company as at 31 March 2020 and of the financial performance and cash flow of the Company for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Directors

On behalf of the Board of Directors,


.....
Palanivel a/l K.V. Sathasivam


.....
Muralidhara Ramachandra

Dated : **25 JUN 2020**
Kuala Lumpur

STATUTORY DECLARATION

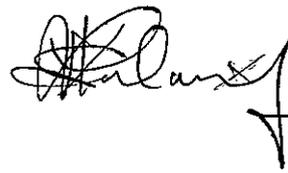
Pursuant to Section 251 (1) of the Companies Act, 2016

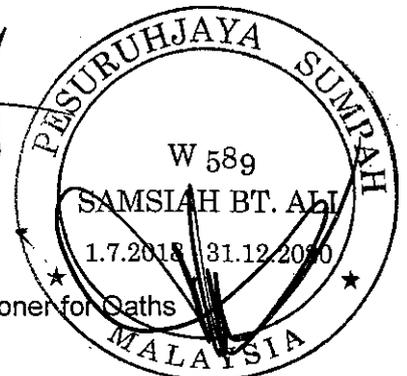
I, PALANIVEL A/L K.V. SATHASIVAM, I/C: 610813-07-5869, being a Director primarily responsible for the financial management of AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out set out on the accompanying pages are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared)
by the above named PALANIVEL)
A/L K.V. SATHASIVAM)
at Kuala Lumpur in the)
Federal Territory this day of)

Before me,

25 JUN 2020





Commissioner for Oaths

SAMSI AH BINTI ALI (No. W 589)
PESURUHJAYA SUMPAH
NO. 142B, TKT BAWAH,
BGN. UMNO SELANGOR
JALAN IPOH, 51200
KUALA LUMPUR W.P.

TCMK

Audit • Tax • Advisory

Company No: 200701031764 (789791-K)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
AURIGENE DISCOVERY TECHNOLOGIES (M) SDN. BHD.**
(Incorporated in Malaysia)

TCMK ASSOCIATED (AF 0027)
Chartered Accountants
No. 102C, 3rd Floor,
Bangunan Persatuan Yap Selangor,
Jalan Petaling,
(formerly Jalan Tun H. S. Lee)
50000 Kuala Lumpur, Malaysia.
Tel: 03-20727239, 03-20701127
03-20767090
Fax: 03-20707252
E-mail: tcmka@yahoo.com
Website: www.tcmk.biz

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Report on audit of the financial statements

Opinion

We have audited the financial statements of *Aurigene Discovery Technologies (M) Sdn. Bhd.*, which comprise the Statement of Financial Position as at 31st March, 2020, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 27.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March, 2020, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in *the Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
AURIGENE DISCOVERY TECHNOLOGIES (M) SDN. BHD. – Continued**
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
AURIGENE DISCOVERY TECHNOLOGIES (M) SDN. BHD. – *Continued***
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

We communicated with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the members of the company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

TCMK ASSOCIATED
Firm No: AF 0027
Chartered Accountants

M. KIRUPANANDAN
Auditor's No. 01306/01/2021(J)
Partner

Dated: 25 JUN 2020
Kuala Lumpur, Malaysia

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	<u>Notes</u>	<u>2020</u> RM	<u>2019</u> RM
<u>ASSETS</u>			
<u>Non-Current Assets</u>			
Plant and equipment	3	64,854	102,998
<u>Current Assets</u>			
Other receivables, deposits and prepayment	4	121,900	129,657
Trade receivables	5	392,703	361,211
Bank balances and deposits	6	1,728,851	1,556,146
Taxation receivable	7	658	-
		2,244,112	2,047,014
Total Assets		2,308,966	2,150,012
<u>EQUITY AND LIABILITIES</u>			
<u>Equity</u>			
Share capital	8	1,000,000	1,000,000
Other reserves	9	496,711	496,711
Retained earnings		635,629	521,106
Total Equity		2,132,340	2,017,817
<u>Current Liabilities</u>			
Taxation payable	7	-	874
Trade payable	10	6,219	-
Other payables and accruals	11	170,407	131,321
		176,626	132,195
Total Liabilities		176,626	132,195
Total Equity and Liabilities		2,308,966	2,150,012

The notes on pages 14 to 27 form an integral part of these financial statements.

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	----- Non-Distributable -----		Distributable	
	Share Capital RM	Foreign Currency Exchange Reserves RM	Retained Earnings RM	<u>Total</u> RM
As at 1 April 2018	1,000,000	496,711	395,399	1,892,110
Profit for the year	-	-	125,707	125,707
As at 31 March 2019	1,000,000	496,711	521,106	2,017,817
Profit for the year	-	-	114,523	114,523
As at 31 March 2020	1,000,000	496,711	635,629	2,132,340

The notes on pages 14 to 27 form an integral part of these financial statements.

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	<u>Notes</u>	<u>2020</u> RM	<u>2019</u> RM
Revenue	12	1,501,681	1,548,431
Less: Direct cost		-	(17,668)
Gross profit		<u>1,501,681</u>	<u>1,530,763</u>
Add: Other income		27,340	34,207
Less: Administrative expenses		(13,075)	(13,960)
Less: Operating expenses		(1,385,280)	(1,434,362)
Exchange (loss) /gain		(9,581)	17,269
Profit before taxation	13	<u>121,085</u>	<u>133,917</u>
Less: Taxation	7	(6,562)	(8,210)
Total Comprehensive profit for the year		<u><u>114,523</u></u>	<u><u>125,707</u></u>

The notes on pages 14 to 27 form an integral part of these financial statements.

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	<u>2020</u>	<u>2019</u>
	RM	RM
<u>Cash Flow From Operating Activities</u>		
Profit before taxation	121,085	133,917
Add: Depreciation	<u>57,144</u>	<u>58,990</u>
Operating profit before working capital changes	178,229	192,907
<u>Working Capital Changes</u>		
Changes in other receivables deposits and prepayments	7,757	23,356
Changes in trade receivables	(31,492)	40,522
Changes in other payables and accruals	39,086	(1,814)
Changes in trade payables	<u>6,219</u>	<u>-</u>
Cash generated from operating activities	199,799	254,971
Add: Tax refund	-	-
Less: Tax paid	<u>(8,094)</u>	<u>(12,452)</u>
Net cash flow generated from operating activities	191,705	242,519
<u>Cash Flow From Investing Activities</u>		
Acquisition of plant and equipment	<u>(19,000)</u>	<u>(23,680)</u>
Cash flow used in investing activities	<u>(19,000)</u>	<u>(23,680)</u>
Net increase in Cash and Cash equivalents	172,705	218,839
Cash and Cash equivalent at beginning of the year	<u>1,556,146</u>	<u>1,337,307</u>
Cash and Cash equivalents at end of the year	<u><u>1,728,851</u></u>	<u><u>1,556,146</u></u>
<u>Cash and Cash Equivalents at End of the year</u>		
Cash and Bank Balances	<u><u>1,728,851</u></u>	<u><u>1,556,146</u></u>

The notes on pages 14 to 27 form an integral part of these financial statements.

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

1. GENERAL INFORMATION

The Company is a private-limited liability company, incorporated and domiciled in Malaysia.

The registered office of the company is located at Wisma ADISS Udarama Complex, 1-3A, 4th floor Jalan 1/64A, 50350 Kuala Lumpur.

The principal place of business of the company is located at Aras 2, Kompleks Pengurusan Penyelidikan & Inovasi (Level 2, Research Management & Innovation Complex), University of Malaya, Lembah Pantai 50603 Kuala Lumpur.

The company is a Biotechnology company. The principal activity of the company is providing drugs and pharmaceutical discovery, research and development services. There has been no significant change in the nature of these activities during the year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on .

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements are prepared under historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirement of the Companies Act 2016 in Malaysia..

The financial statements are presented in Ringgit Malaysia.

2.2 Summary of Significant Accounting Policies

(a) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. 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 carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Projects-in-progress are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020
(Cont'd)

	<u>Rates (%)</u>
Computers Hardware & Software	30-33
Other Plant & Equipment	12.5-15

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. The differences between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

(b) Impairment of Non-Financial Assets

The carrying amounts of assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its 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 assessment of the time-value money and the risks specific to the assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or group of units on a pro-rate basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
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NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2020
(Cont'd)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(c) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Financial instruments are offset when Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents included cash on hand and at banks and short term deposits.

(ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts on trade on trade debts which are six months or older, or when recoverability is considered doubtful.

(iii) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(iv) Borrowings

Borrowings are initially recognised at the fair value of the consideration receive less directly attributable transactions costs.

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
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NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2020

(Cont'd)

(d) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, and unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arise from goodwill or negative goodwill or from the initial recognition of an assets or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expenses and included in the profit or loss for the year.

(e) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will require to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognised as finance cost.

(f) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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(Cont'd)

(ii) Defined Contribution Plan

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the EPF.

(g) Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Ringgit Malaysia, which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

(iii) Foreign Currencies

The Principal closing rate used in the translation of foreign currency is as follows:

	<u>2020</u>	<u>2019</u>
	RM	RM
1 United States Dollar (USD)	4.32001	4.08235

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NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2020
(Cont'd)

(h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sales of goods is recognised upon the passage of title to the customers, which generally coincides with acceptance by and delivery to customers and revenue from services is recognised upon rendering of services. Interest Income is recognised on receipt basis, as and when the Bank credits the accounts.

(i) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only the occurrence or non-occurrence of uncertain events(s) not wholly within the control of the Company. Contingent liabilities and assets are not recognised in the statements of financial position of the Company.

2.3 Adoption of revised FRSs, Amendments to FRSs and Interpretations

The significant accounting policies adopted are consistent with those of the audit financial statements for the period ended 31 March 2020.

During the financial year, the Company has adopted all the new and revised FRSs and Interpretations of FRSs that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRSs and Interpretations of FRSs does not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current financial year or prior years except as disclosed in this financial statements.

2.4 Significant Accounting Estimates

The preparation of financial statements in accordance with FRS requires the use of certain accounting estimates and exercise of judgment. Estimate and judgments are continually evaluated and are based on past experience, reasonable expectations of future events other factors.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2020
(Cont'd)

3. PLANT & EQUIPMENT

2020	---Cost---		-----Accumulated Depreciation-----			Net Value 31/3/20 RM	
	Balance 01/4/19 RM	Add/ (Disp) RM	Balance 31/3/20 RM	Balance 01/4/19 RM	Current Dep. RM		Balance 31/3/20 RM
Computer Hardware & Software	143,207	-	143,207	134,991	3,978	138,969	4,238
Electrical Equipment	29,525	-	29,525	28,125	300	28,425	1,100
Furniture & Fittings	248,016	-	248,016	243,447	2,041	245,488	2,528
Laboratory Instruments	1,367,281	19,000	1,386,281	1,286,002	46,612	1,332,614	53,667
Office Equipment	50,166	-	50,166	42,632	4,213	46,845	3,321
Total	1,838,195	19,000	1,857,195	1,735,197	57,144	1,792,341	64,854

2019	---Cost---		-----Accumulated Depreciation-----			Net Value 31/3/19 RM	
	Balance 01/4/18 RM	Add/ (Disp) RM	Balance 31/3/19 RM	Balance 01/4/18 RM	Current Dep. RM		Balance 31/3/19 RM
Computer Hardware & Software	134,527	8,680	143,207	130,716	4,275	134,991	8,216
Electrical Equipment	29,525	-	29,525	27,825	300	28,125	1,400
Furniture & Fittings	248,016	-	248,016	241,406	2,041	243,447	4,569
Laboratory Instruments	1,352,281	15,000	1,367,281	1,237,983	48,019	1,286,002	81,279
Office Equipment	50,166	-	50,166	38,277	4,355	42,632	7,534
Total	1,814,515	23,680	1,838,195	1,676,207	58,990	1,735,197	102,998

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
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NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2020
(Cont'd)

4. OTHER RECEIVABLES, DEPOSITS & PREPAYMENTS

	<u>2020</u>	<u>2019</u>
	RM	RM
Deposits	58,008	58,008
Prepayments	35,184	23,106
Other advances	2,635	22,470
GST receivables	26,073	26,073
	<u>121,900</u>	<u>129,657</u>

5. TRADE RECEIVABLES

	<u>2020</u>	<u>2019</u>
	RM	RM
Aurigene Discovery Technologies Limited	<u>392,703</u>	<u>361,211</u>

Trade receivables amount consist of amount outstanding from Holding Company for the credit sales made to the holding company during the accounting year with 30- Days credit term.

6. CASH, BANK BALANCE AND DEPOSIT

	<u>2020</u>	<u>2019</u>
	RM	RM
Bank balances	728,851	206,146
Fixed deposits	1,000,000	1,350,000
	<u>1,728,851</u>	<u>1,556,146</u>

7. TAXATION

	<u>2020</u>	<u>2019</u>
	RM	RM
Balance b/f	874	5,116
Tax expenses	6,562	8,210
Tax paid	(8,094)	(12,452)
Balance c/f	<u>(658)</u>	<u>874</u>

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(Cont'd)

A reconciliation of income tax expenses applicable to profit before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate of the Company is as follows:-

	<u>2020</u>	<u>2019</u>
	RM	RM
Profit before Taxation	<u>121,085</u>	<u>133,917</u>
Taxation at Malaysian statutory tax rate	29,060	32,140
Effect of expenses not deductible for tax purpose	13,046	13,454
Effect of utilisation of current year's capital allowance	(4,324)	(5,312)
Tax savings from utilisation of tax exemption	<u>(31,220)</u>	<u>(32,072)</u>
Tax expenses	<u>6,562</u>	<u>8,210</u>

The company has obtained BioNexus Status on 29.01.2008 which entitles for exemption from tax on 100% statutory income for a period of 10 consecutive years from the Year of Assessment 2012 being the first year the company derived statutory income from the bio-technology business.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated in gross):-

	<u>2020</u>	<u>2019</u>
	RM	RM
Unutilised tax losses	(2,166,611)	(2,166,611)
Unabsorbed capital allowances	<u>(1,056,874)</u>	<u>(1,056,874)</u>
Total income tax expense	<u>(3,223,485)</u>	<u>(3,223,485)</u>

The deductible temporary differences, unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. The unutilised tax losses and unabsorbed capital allowances are subject to the agreement by the Inland Revenue Board. Deferred tax asset have not been recognised in respect of these items because it is uncertain that future taxable profit after financial year 2021 will be available against which the Company can utilise the benefits therefrom.

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NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2020
(Cont'd)

8. SHARE CAPITAL

	Number of shares <u>2020</u> Units	<u>2020</u> RM	Number of shares <u>2019</u> Units	<u>2019</u> RM
Issued & Fully Paid: As at 1 April/31 March	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

9. OTHER RESERVES

This non-distributable reserve represents net exchange gain from the advances made by the Holding Company.

10. TRADE PAYABLES

The normal trade credit terms granted by suppliers ranges from 30 to 90 days.

11. OTHER PAYABLES AND ACCRUALS

	<u>2020</u> RM	<u>2019</u> RM
Other Payables	160,507	117,661
Accruals	9,900	13,660
	<u>170,407</u>	<u>131,321</u>

12. REVENUE

Revenue represents the contract service rendered for bio-technology research and development.

13. PROFIT BEFORE TAXATION

Profit before taxation has been determined after charging/ (crediting) amongst other items the following:-

	<u>2020</u> RM	<u>2019</u> RM
Auditors' remuneration	8,800	8,800
Depreciation	57,144	58,990
Exchange (gain)/ loss	9,581	(17,269)
Office rental	86,013	85,201
Other Income - Interest	<u>(27,340)</u>	<u>(34,207)</u>

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NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2020
(Cont'd)

14. STAFF COSTS

	<u>2020</u> <u>RM</u>	<u>2019</u> <u>RM</u>
Salary and wages	748,520	741,909
EPF and SOCSO	102,600	100,225
Staff welfare	2,948	3,142
	<u>854,068</u>	<u>845,276</u>

15. RELATED PARTY TRANSACTIONS

Significant transactions during the financial year between the holding company and the Company on terms agreed between the parties are as follows:-

	<u>2020</u> <u>RM</u>	<u>2019</u> <u>RM</u>
Services to Holding Company	<u>1,501,681</u>	<u>1,548,431</u>

Details of holding company are as follows:-

<u>Name</u>	<u>% of Shares Held</u>
AURIGENE DISCOVERY TECHNOLOGIES LIMITED	99.9%

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has no formal risk management policies and guidelines, which set out its overall business strategies, its tolerance for risk and its general risk management philosophy. It has however established informal processes to monitor and control such risks on a timely and accurate manner. Such policies are monitored and undertaken by the directors.

Risk management is integral to the whole business of the Company. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

No derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Company does not apply hedge accounting.

The key financial risks include foreign currency risk and liquidity risk. The following provide details regarding the Company's exposure to the risks and the objectives, policies and processes for the management of these risks.

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(Cont'd)

16.1 Foreign currency risk

At the reporting date, there is no material foreign currency risk encounter by the company.

16.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

To manage liquidity risk, the Company monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and funding facilities from the bank. In assessing the funding facilities, the management reviews its working capital requirements regularly.

The table below summaries the maturity profile of the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	<u>2020</u> RM	<u>2019</u> RM
Taxation payables	-	874
Trade payables	6,219	-
Other payables and accruals	170,407	131,321
	<u>176,626</u>	<u>132,195</u>

The corresponding Company's financial assets:-

	<u>2020</u> RM	<u>2019</u> RM
Other receivables, deposits and prepayment	121,900	129,657
Trade receivables	392,703	361,211
Bank balances and deposits	1,728,851	1,556,146
Taxation receivable	658	-
	<u>2,244,112</u>	<u>2,047,014</u>

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
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NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020
(Cont'd)

17. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy working ratios in order to support its business and maximise shareholder value.

The Company's working capital comprises of inventories, receivables and cash, payables (including amounts owing to holding company), accruals and provisions stated on the statement of financial position. The Company manages its working capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the working capital structure, the Company may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the current financial year.

The Company manages capital by regularly monitoring its current and expected liquidity requirements. The Company is not obliged to meet capital requirements, both internally and externally imposed.

18. FINANCIAL INSTRUMENTS

Financial instruments are categorized as follows:-

- (a) Trade and other receivables ("TOR")
- (b) Fair value through profit or loss ("FVTPL")
 - Held for trading ("HFT"); and
- (c) Financial liabilities measured at amortised cost ("FL")

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(Cont'd)

	Carrying amount RM	TOR RM	FVTPL – HFT RM	(FL) RM
2020				
Financial assets				
Trade and other receivables (net of GST claimable	514,603	514,603	-	-
Cash, bank balances and deposits	1,728,851	1,728,851	-	-
	<u>2,243,454</u>	<u>2,243,454</u>	-	-
Financial liabilities				
Trade and other payables	(176,626)	-	-	(176,626)
	<u>(176,626)</u>	-	-	<u>(176,626)</u>
2019				
Financial assets				
Trade and other receivables (net of GST claimable	490,868	490,868	-	-
Cash and bank balances	1,556,146	1,556,146	-	-
	<u>2,047,014</u>	<u>2,047,014</u>	-	-
Financial liabilities				
Trade and other payables	(131,321)	-	-	(131,321)
	<u>(131,321)</u>	-	-	<u>(131,321)</u>

19. COMPARATIVE FIGURES

Certain items have been reclassified to conform to the current year's presentation.

Lodged By:
ADISS CONSULTANTS SDN BHD
Wisma ADISS, Udarama Complex
No. 1-3A, Jalan 1/64A
50350 Kuala Lumpur
Tel: 03-40432576

AURIGENE DISCOVERY TECHNOLOGIES (M) SDN BHD
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DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	2020 <u>RM</u>	2019 <u>RM</u>
Revenue	1,501,681	1,548,431
<u>Less: Direct Cost</u>		
Consultancy fees	-	17,668
	-	(17,668)
Gross profit	1,501,681	1,530,763
<u>Less: Administrative Expenses</u>		
Auditors remuneration- current year	8,800	8,800
Audit disbursements	66	-
Secretarial fees and disbursement	3,109	4,060
Taxation fees	1,100	1,100
	(13,075)	(13,960)
<u>Less: Operating Expenses</u>		
Bank charges	2,221	2,029
Depreciation	57,144	58,990
EPF and SOCSO	102,600	100,225
Effluent treatment	2,763	2,956
Insurance	20,539	35,636
IT consumables	3,005	800
Laboratory consumables	279,151	298,541
Local conveyance	32,382	37,440
Medical expenses	4,723	5,157
Office maintenance	26,731	24,496
Office rental	86,013	85,201
Postage and courier charges	795	6,533
Printing and stationery	2,176	5,087
Rates and taxes	500	-
Repair and maintenance- Lab and others	8,124	19,390
Staff salaries and allowance	748,520	741,909
Staff welfare	2,948	3,142
Telephone and fax	4,495	5,597
Subscriptions paid	100	250
Business promotion	350	983
	(1,385,280)	(1,434,362)
<u>Other Income</u>		
Interest income	27,340	34,207
	27,340	34,207
Exchange (loss) /gain	(9,581)	17,269
Profit before taxation	121,085	133,917

This schedule does not form part of the statutory audited financial statements.

Independent Auditors' Report

To the Members of
Aurigene Discovery Technologies Inc.

We have audited the accompanying financial statements of **Aurigene Discovery Technologies Inc.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

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

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2020;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Loss for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 18th May 2020

UDIN: 20202367AAABPV2660

Aurigene Discovery Technologies Inc.
Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non-current assets			
Tax assets, net		-	-
		<u>-</u>	<u>-</u>
Current assets			
Cash and cash equivalents	2.1	574	698
		<u>574</u>	<u>698</u>
Total assets		<u><u>574</u></u>	<u><u>698</u></u>
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.2	257,460	257,460
Other equity		(256,886)	(256,762)
		<u>574</u>	<u>698</u>
Total equity and liabilities		<u><u>574</u></u>	<u><u>698</u></u>

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

PSRVV Surya Rao
Partner
Membership No.: 202367

K Satish Reddy
Director

G V Prasad
Director

Place: Hyderabad
Date: 18 May 2020

Aurigene Discovery Technologies Inc.
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Income			
Income		-	-
Total income		<u>-</u>	<u>-</u>
Expenses			
Selling and other expenses	2.3	189	344
Total expenses		<u>189</u>	<u>344</u>
Loss before tax		<u>(189)</u>	<u>(344)</u>
Tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the year		<u>(189)</u>	<u>(344)</u>
Other comprehensive income (OCI)			
A. (i) Items that will not be reclassified to profit or loss			
(ii) Income tax relating to items that will not be reclassified to profit or loss			
B. (i) Items that will be reclassified to profit or loss			
(ii) Income tax relating to items that will be reclassified to profit or loss			
		65	62
Total comprehensive loss for the year		<u>(124)</u>	<u>(282)</u>
Earnings per share:			
Basic earnings per share of USD 1/- each		(0.04)	(0.07)
Diluted earnings per share of USD 1/- each		(0.04)	(0.07)

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

PSRVV Surya Rao
Partner
Membership No.: 202367

K Satish Reddy
Director

G V Prasad
Director

Place: Hyderabad
Date: 18 May 2020

Statement of Changes in Equity

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus	Other comprehensive income	
		Retained earnings	Foreign currency translation reserve	
Balance as at 1 April 2019	257,460	(251,522)	(5,240)	698
Foreign currency translation adjustments	-	-	65	65
Loss for the year	-	(189)	-	(189)
Balance as at 31 March 2020	257,460	(251,711)	(5,175)	574

translation reserve

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus	Other comprehensive income	
		Retained earnings	Foreign currency translation reserve	
Balance as at 1 April 2018	257,460	(251,178)	(5,302)	980
Foreign currency translation adjustments	-	-	62	62
Loss for the year	-	(344)	-	(344)
Balance as at 31 March 2019	257,460	(251,522)	(5,240)	698

The accompanying notes are an integral part of financial statements

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of
Aurigene Discovery Technologies Inc.

PSRVV Surya Rao
Partner
Membership No.: 202367

K Satish Reddy
Director

G V Prasad
Director

Place: Hyderabad
Date: 18 May 2020

Statement of Cash Flow

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Cash flows from / (used in) operating activities		
Loss before tax	(189)	(344)
Adjustments:		
Foreign exchange loss / (gain), net	-	(4)
<i>Changes in operating assets and liabilities:</i>		
Other assets and liabilities, net	-	-
Cash generated from / (used in) operations	<u>(189)</u>	<u>(348)</u>
Income tax paid, net	-	-
Net cash from / (used in) operating activities	<u>(189)</u>	<u>(348)</u>
Cash flows from / (used in) investing activities	<u>-</u>	<u>-</u>
Net cash from / (used in) investing activities	<u>-</u>	<u>-</u>
Cash flows from / (used in) financing activities	<u>-</u>	<u>-</u>
Net cash from / (used in) financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(189)	(348)
Effect of exchange rate changes on cash and cash equivalents	66	66
Cash and cash equivalents at the beginning of the year	698	980
Cash and cash equivalents at the end of the year	<u><u>574</u></u>	<u><u>698</u></u>

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

PSRVV Surya Rao
Partner
Membership No.: 202367

K Satish Reddy
Director

G V Prasad
Director

Place: Hyderabad
Date: 18 May 2020

Aurigene Discovery Technologies Inc.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company

Aurigene Discovery Technologies Inc. ("the Company") incorporated in the United States of America, is a 100% subsidiary of Aurigene Discovery Technologies Limited.

1.2 Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies

a) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within twelve months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within twelve months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

c) Revenue

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

License fee

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

d) Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Aurigene Discovery Technologies Inc.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

e) Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

h) Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Aurigene Discovery Technologies Inc.

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

i) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

j) Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle 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 recognised as a finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

k) Financial instruments

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

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. 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.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments

l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

m) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 Notes to the financial statements (continued)**2.1 Cash and cash equivalents**

	As at 31 March 2020	As at 31 March 2019
Balances with banks:		
- In current accounts	574	698
	<u>574</u>	<u>698</u>

2.2 Share capital

	As at 31 March 2018	As at 31 March 2017
Authorised share capital		
6,000,000 equity shares of USD 1/- each (31 March 2019: 6,000,000)	<u>276,000</u>	<u>276,000</u>
Issued equity capital		
5,215,000 equity shares of USD 1/- each (31 March 2019: 5,215,000)	<u>257,460</u>	<u>257,460</u>
Subscribed and fully paid-up		
5,215,000 equity shares of USD 1/- each (31 March 2019: 5,215,000)	<u>257,460</u>	<u>257,460</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	5,215,000	257,460	5,215,000	257,460
Add: Equity shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	5,215,000	257,460	5,215,000	257,460

(b) Terms / rights attached to the equity shares

The Company has only one class of equity shares having a par value of USD 1 per share. Each holder of equity shares is entitled to one vote per share.

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

Particulars	As at 31 March 2020		As at 31 March 2019	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Aurigene Discovery Technologies Limited	5,215,000	100.00	5,215,000	100.00

Aurigene Discovery Technologies Inc.

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 Notes to the financial statements (continued)

2.3 Selling and other expenses

	For the year ended 31 March 2020	For the year ended 31 March 2019
Legal and professional	189	174
Rates and taxes	-	170
	189	344

2.4 Going Concern

The accounts have been prepared on Going Concern basis, despite having accumulated losses, as the company is supported by its parent company in its activities and financial affairs.

2.5 Income taxes

a. Current Taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

2.6 Provisions, contingent liabilities and contingent assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

For A Ramachandra Rao & Co.

ICAI Firm registration number: 002857S

Chartered Accountants

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

PSRVV Surya Rao
Partner
Membership No.: 202367

K Satish Reddy
Director

G V Prasad
Director

Place: Hyderabad
Date: 18 May 2020


Aurigene Discovery Technologies Limited

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 E mail : info@aurigene.com . Web : www.aurigene.com
 CIN : U24239KA2001PTC029391

Board's Report

Dear Members,

Your Directors are pleased to present the 19th Board's Report of the Company for the year ended 31 March 2020.

Financial Highlights

The following table gives the financial highlights of the Company for the year ended 31 March 2020 as compared to previous financial year:

(Rs. in lacs)

Particulars	31-Mar-20	31-Mar-19
Revenue from contracts with customers	28,005	21,121
Other operating income	3	6
Other income	303	247
Finance Income	908	722
Total income	29,219	22,096
Earnings before interest, depreciation, amortization and tax (EBITDA)	13,272	7,663
Depreciation and amortization	1,101	1,133
Interest on Income Tax	3	29
Profit before tax (PBT)	12,168	6,501
Tax expense	3,054	1,895
Profit after tax	9,114	4,606
Add: Balance brought forward	12,078	7,472
Total Available for Appropriation	21,192	12,078
Appropriations:		
Dividend paid on equity shares in the year ended	-	-
Tax on dividend paid in the year ended	-	-
Balance carried forward to Balance Sheet	21,192	12,078

Company's Affairs

The Company's net revenue for the year was Rs. 28,005 lacs, up 33% over the previous year. EBITDA increased by 73% to Rs.13,272 lacs. PBT was Rs. 12,168 lacs, an increase of 87% over the previous year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2020.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review.

Share capital

During the year under review, there was no change in the share capital of the Company.

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Accordingly, no disclosure or reporting provisions is required in respect of details relating to deposits.

Change in the Nature of Business, If Any

During the year, there was no change in the nature of business of the company or any of its subsidiaries.

The Company has two business divisions i.e. (i) Discovery & collaboration division (ii) Pharmaceutical services division. The Discovery division is engaged in developing new chemical entities and also renders discovery collaboration services to the third party customers. The Pharmaceutical service division offers synthetic chemistry, scale up, molecular modelling etc., to third party customers.

The market for Pharmaceutical Services is expected to grow from USD 15 billion to USD 25 billion in the next 5 years. The Company's big pharma customers have shared their concerns about the Company doing its own Discovery work leading to potential confidentiality concerns. Considering customer expectations and the potential future growth prospects, during the year, the Company's Board approved restructuring of Aurigene's businesses to ensure independence of both the line of activities.

Accordingly, the Company's 'Pharmaceutical Services Business' comprising of specified tangible and intangible assets, including lab equipment, contracts, permission, consents, rights, registrations, personnel & employees, other assets & liabilities, would be sold as a slump sale, to Aurigene Pharmaceutical Services Limited (APSL), its wholly owned subsidiary. This sale would be for a lump-sum cash consideration, calculated at book value, of upto Rs. 60,00,00,000 (Rupees sixty crores only) subject to closing adjustments and debt/liabilities, if any, being transferred, at the date of execution. The transaction is planned to be concluded in FY2021.

Also, during the year, the Company adopted a new set of Articles of Association in substitution, and to entire exclusion of the regulations contained in the existing Articles of Association of the Company. This was primarily done to align the Articles with the new Companies Act, 2013 and rules thereunder.

Material Changes and Commitments Affecting the Financial Position of the Company

None.

Subsidiaries and Associates

The Company has three wholly owned subsidiaries as on 31 March 2020 – Aurigene Pharmaceutical Services Limited (India), Aurigene Discovery Technologies (Malaysia) SDN BHD., Malaysia and Aurigene Discovery Technologies Inc., USA. Aurigene Pharmaceutical Services Limited was incorporated as wholly owned subsidiary during the year. Other than this, no company has become or ceased to be subsidiary, joint ventures or associate during the year.

Pursuant to Section 129(3) of the Companies Act, 2013 and Rule 6 of the Companies (Accounts) Rules, 2014, where the Company has one or more subsidiaries or associate companies, it shall, in addition to its financial statements, prepare a consolidated financial statement of the company and of all subsidiaries and associates in the same form and manner as that of its own and also attach

along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiaries and associates.

However, the Ministry of Corporate Affairs vide its circular dated July 27, 2016 has clarified that the provisions pertaining to manner of consolidation of accounts shall not be applicable to the companies which meet the following conditions:

- a) All the members of the Company have been intimated in writing for not presenting the financial statements and the members do not object to the same;
- b) It is not a listed company nor in the process of listing; and
- c) The Company's ultimate holding company files the consolidated financial statements with the Registrar which are in compliance with the applicable accounting standards.

Dr. Reddy's Laboratories Limited (ultimate holding company) files consolidated financial statements with the Registrar of Companies in compliance with accounting standards, the Company is neither listed nor in the process of listing and all the members of the Company have intimated in writing that they do not have objection to the Company not presenting consolidated financial statements.

Therefore, the relevant provisions regarding manner of consolidation of accounts are not applicable to the Company and the Company complies with the said circular.

A statement containing the salient features of the financial statement of its subsidiaries in prescribed Form AOC-1 is attached as '**Annexure – I**' to the Board's Report.

Particulars of Loans, Guarantees or Investments

Details of Loans, Guarantees and Investments covered under Section 186 of the Companies Act, 2013 form part of the notes to financial statements provided in this Annual Report.

Number of Board meetings

The Board of Directors met six times during the year on: May 15, 2019, July 8, 2019, July 30, 2019, October 30, 2019, January 8, 2020 and March 26, 2020.

Board of Directors and Key Managerial Personnel

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. G V Prasad (DIN 00057433), retires by rotation at the ensuing AGM and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for approval at the ensuing AGM. Brief profile of Mr. Prasad forms a part of the statement annexed to the Notice convening the Annual General Meeting for reference of the shareholders.

Mr. Ashish Lath, Chief Financial Officer and a Key Managerial Personnel tendered his resignation with effect from March 26, 2020. Consequently, Mr. Brijesh Kumar Karnani was appointed as the Chief Financial Officer – Key Managerial Personnel on March 26, 2020.

Further, Mr. C S N Murthy ceased to be the Chief Executive Officer – Key Managerial Personnel with effect from June 30, 2019 and Dr. Muralidhara Ramachandra was appointed as the Chief Executive Officer – Key Managerial Personnel with effect from July 1, 2019.

Apart from the above, there was no change in the composition of directors on the Board and Company's Key Managerial Personnel.

Declaration given by the Independent Directors

In accordance with Section 149(7) of the Companies Act, 2013, Mr. Hariharnath Buggana and Dr. Bruce L.A. Carter, Independent Directors have confirmed that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and is in compliance with the Rule 6(3) of the Companies (Appointment and Qualifications of Directors) Rules, 2014. Further, they have affirmed compliance to the code of conduct for independent directors as prescribed in Schedule IV of the Companies Act, 2013.

Secretarial Standards

The Directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company. The company has also voluntarily adopted the recommendatory Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

Appointment of Directors and Remuneration Policy

The Nomination and Remuneration Committee of the Board assess candidates for the Board on a combination of parameters. These include experience, personal and professional stature, domain expertise, specific qualification for the position and his/her independence as defined in Section 149(6) of the Companies Act, 2013. The Committee then places the details of shortlisted candidates to the Board for consideration. If the Board approves, the person gets appointed as an Additional Director, subject to the approval of members in the Company's General Meeting.

In accordance with Section 178(3) of the Companies Act, 2013, the policy for remuneration to Directors, Key Management Personnel (KMPs), Senior Management and other employees is attached as '**Annexure – II**'.

Board Evaluation

The evaluation of the performance of the Board, its Committees and individual directors was undertaken during the year, on the basis of parameters pre-determined by the Nomination and Remuneration Committee.

For the Board evaluation, each director completed a questionnaire that involved peer evaluation and feedback on the processes of the board and its committees. The contribution and impact of individual members was evaluated on a number of parameters, such as level of engagement, independence of judgment, conflicts resolution and contributions to enhance the board's overall effectiveness. Peer ratings on certain parameters, positive attributes and improvement areas for each director were provided to them on a confidential basis.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2019-20 and of the profit of the Company for that period;
3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. annual accounts have been prepared on a going concern basis; and
5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Audit Committee

The Audit Committee comprises of Mr. Hariharnath Buggana (Independent Director) as Chairman, Dr. Bruce L.A. Carter (Independent Director) and Mr. Saumen Chakraborty as members of the Committee. The Audit Committee met five times during the year on May 15, 2019, July 8, 2019, October 25, 2019, January 8, 2020 and March 26, 2020.

The Board has accepted all recommendations made by the Audit Committee during the year.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of Mr. Hariharnath Buggana (Independent Director) as Chairman, Dr. Bruce L.A. Carter (Independent Director) and Mr. G V Prasad as members of the Committee. The Nomination and Remuneration Committee met thrice during the year on May 15, 2019, January 8, 2020 and March 26, 2020.

The Board has accepted all recommendations made by the Nomination and Remuneration Committee during the year.

Corporate Social Responsibility

The Company's Corporate Social Responsibility (CSR) Committee constituted in terms of Section 135 of the Companies Act, 2013, comprises of Mr. Hariharnath Buggana (Independent Director) as Chairman, Mr. G V Prasad and Mr. Saumen Chakraborty as members of the Committee.

The CSR Committee met twice during the year on May 15, 2019 and October 25, 2019.

The Board has accepted all recommendations made by the Corporate Social Responsibility Committee during the year.

The Company's CSR policy indicates the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013. During the year, the Company followed the guidelines of its CSR policy, while pursuing its social initiatives.

Details about the CSR policy is also available on Company's website, and can be accessed at the weblink: <http://www.aurigene.com/about-aurigene-biotech/csr-policy-drug-discovery-process/>.

The Annual Report on CSR activities of the Company is attached as '**Annexure - III**' to this report.

Internal Auditor

The Internal Audit team of Dr. Reddy's Laboratories Limited, Holding Company and her team continues to perform the internal audit of various process of the Company. The Audit Committee periodically reviews the findings of the internal audit and monitors implementation of corrective actions suggested. The Board is also briefed on such matters thereafter.

Risk Management

Your Company has developed a risk management framework (commensurate with its size and business objectives) to identify, prioritise and mitigate the risks that could threaten the existence of the Company. As per the Risk Management Policy of the Company, key risks and progress on their mitigation are regularly presented and discussed at the Company's Board meeting.

Adequacy of Internal Financial Controls with reference to Financial Statements

The Company has in place adequate internal financial controls with reference to financial statements. These controls ensure the accuracy and completeness of the accounting records and preparation of reliable financial statements.

Related Party Transactions

During the year, the Company entered into transactions, contracts or arrangements with related parties, at arm's length basis and in ordinary course of business. None of these transactions are material in nature Accordingly, the disclosure of related party transactions in Form AOC-2 is mentioned as not applicable. However, detailed disclosure on related party transactions forms part of the notes to accounts of the financial statements.

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract(s) or arrangement(s) entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as **“Annexure - IV”**.

All such contracts or arrangements are in the interest of the company. The details of related party disclosures form part of the notes to the financial statements provided along with this Annual Report.

Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, M/s. R & A Associates, Company Secretaries, Hyderabad, (Membership No. FCS 4448, Certificate of Practice no. 2820 and Firm Registration no. 590) were appointed to conduct the Secretarial Audit of the Company for the financial year ended 31 March 2020. The Secretarial Audit Report for the financial year ended on 31 March 2020 is attached as **“Annexure - V”** to this Report.

Based on the consent received from M/s. R & A Associates, Company Secretaries, Hyderabad and on the recommendations of the Audit Committee, the Board has appointed him as the secretarial auditor of the company for FY2021.

Statutory Auditors

M/s. S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004) were appointed as statutory auditors at the 15th AGM of the Company held on July 15, 2016 for a period of five years commencing from the conclusion of the 15th AGM till conclusion of the 20th AGM, subject to ratification by the shareholders every year, as may be applicable.

However, the Ministry of Corporate Affairs (MCA) vide its notification dated 7 May 2018 has omitted the requirement under first proviso to Section 139 of the Companies Act, 2013 and Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, regarding ratification of appointment of statutory auditors by shareholders at every subsequent AGM.

Consequently, M/s. S.R. Batliboi & Associates LLP, chartered accountants, continue to be the statutory auditors of the company till the conclusion of 20th AGM, as approved by shareholders at 15th AGM held on July 15, 2016.

Cost Audit

The Company is not required to maintain cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013 and accordingly the accounts and records are not made and maintained.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report or by the Secretarial Auditor in the Secretarial Audit Report.

During the year, there were no instances of frauds reported by auditors under Section 143(12) of the Companies Act, 2013.

Significant and Material Orders passed by the Court/Regulators

None.

Particulars of Employees

Disclosures pertaining to remuneration and other details as required under section 197(12) of the Companies Act, 2013, read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as "**Annexure VI**".

In terms of section 197(12) of the Companies Act, 2013, read with rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of limits set out in said rules forms part of the annual report.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Rule 8(3) of the Companies (Accounts) Rules, 2014 relating to conservation of energy, research and development, technology absorption is given as under:

(A) Conservation of energy

(i) The steps taken or impact on conservation of energy:

The major energy conservation initiatives taken by the Company during the year are:

- a) Installation of efficient smaller capacity electric steam generator for autoclaves instead of the centralized diesel steam generator.
- b) Installed efficient individual process chillers for vacuum pumps in lieu of Centralized system.
- c) Replacement of inefficient exhaust blowers with DC efficient blowers.
- d) Introduced Variable Frequency Drive for higher capacity exhaust blowers.

(ii) Steps taken by Company for utilizing alternate sources of energy:

The Company has a rooftop solar energy system of 250KW. During the year, 298,012 units were generated from this and used by the Company in its operations.

(iii) The capital investment on energy conservation equipment: Rs. 14 lacs.

(B) Technology Absorption, Adoption and Innovation:

No technology was imported by the Company during the year.

(C) Foreign exchange earnings and outgo:

The details of foreign exchange earnings and expenditure are as under:

(Rs. In Lacs)

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Earnings in foreign currency	26,744	20,544
Expenditure in foreign currency	1,935	2,354

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are enclosed as “Annexure VII” to this Report.

Disclosure on Sexual Harassment of Women at Workplace

The Company has an Internal Complaints Committee for providing a redressal mechanism of complaints pertaining to Sexual Harassment of Women at Workplace. There was no case of sexual harassment reported during the year under the review.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the Company, during the year.

For and on behalf of the Board of Directors

Sd/-

G V Prasad
Director

Sd/-

K Satish Reddy
Director

Date: May 11, 2020

Place: Hyderabad

Annexure-I

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

(Amount in Rs.)

Sl. No.	Particulars	Subsidiary 1	Subsidiary 2	Subsidiary 3
1.	Name of the subsidiary	Aurigene Pharmaceutical Services Limited, India	Aurigene Discovery Technologies (Malaysia) SDN BHD	Aurigene Discovery Technologies Inc., USA
2.	Reporting period for the subsidiary concerned	31-03-2020	31-03-2020	31-03-2020
3.	Date of incorporation/acquisition	16-09-2019	26-09-2007	29-04-2002
4.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Indian Rupee	Malaysian Ringgits (MYR) 17.515	United States Dollar (USD) 75.665
5.	Share capital	5,00,000	17,515,000	394,592,975
6.	Reserves & surplus	-39,65,386	19,832,930	-394,018,759
7.	Total assets	18,33,665	40,441,533	574,216
8.	Total Liabilities	52,99,051	3,093,603	-
9.	Investments	-	-	-
10.	Turnover	-	26,301,943	-
11.	Profit before taxation	-52,99,051	2,288,610	-189,126
12.	Provision for taxation	13,33,665	114,933	-
13.	Profit after taxation	-39,65,386	2,173,676	-189,126
14.	Proposed Dividend	-	-	-
15.	% of shareholding	100%	100%	100%

There was no subsidiary which is yet to commence the operations. Further, none of the subsidiary have been liquidated or sold during the year.

Part “B”: Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures: NA

Name of associates/Joint Ventures	NA
1. Latest audited Balance Sheet Date	
2. Shares of Associate/Joint Ventures held by the company on the year end	
No.	
Amount of Investment in Associates/Joint Venture	
Extend of Holding%	
3. Description of how there is significant influence	
4. Reason why the associate/joint venture is not consolidated	
5. Net worth attributable to shareholding as per latest audited Balance Sheet	
6. Profit/Loss for the year	
i. Considered in Consolidation	
ii. Not Considered in Consolidation	

For and on behalf of the Board of Directors

Sd/-

Sd/-

Date: May 11, 2020

**G V Prasad
Director**

**Satish Reddy
Director**

Place: Hyderabad

Sd/-

Sd/-

Sd/-

**Dr. Muralidhara Ramachandra
Chief Executive Officer**

**Brijesh Kumar Karnani
Chief Financial Officer**

**Sudipta V
Company Secretary**

ANNEXURE - II

REMUNERATION POLICY

I. CONTEXT

The purpose of this Policy is to guide the Board in regard to:

- a) Evaluate the performance of the members of the Board;
- b) The remuneration of the Board, Key Managerial Personnel and other employees to reflect short and long term performance objectives; and
- c) Overall compensation approach to retain and attract talent.

II. DEFINITIONS

“Board” means Board of Directors of the Company.

“Committee” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.

“Company” means Aurigene Discovery Technologies Limited.

“Director” means Directors of the Company.

“Employee” means any person, including officers who are in the permanent employment of the Company.

“Independent Director” shall mean a director referred to in Section 149 (6) of the Companies Act, 2013.

“Key Managerial Personnel” is as defined under the Companies Act, 2013 and means

- a) the Chief Executive Officer or the Managing Director or the Manager [having ultimate controls over affairs of the company];
- b) the Company Secretary;
- c) the Whole-Time Director;
- d) the Chief Financial Officer; and
- e) such other officer as may be prescribed under the applicable statutory provisions/regulations from time to time.

“Senior Management” means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the executive directors, including all the functional heads.

III. APPLICABILITY

This policy is applicable to the following:

- Directors (Non-Executive and Independent)
- Key Managerial Personnel (KMPs)
- Senior Management Personnel
- Other Employees

IV. EVALUATION OF DIRECTORS

The Committee shall carry out performance evaluation of every Director annually, on such parameters as it may deem fit.

V. REMUNERATION OF DIRECTORS, KMPs AND OTHER EMPLOYEES

The Committee shall recommend to the Board for their approval, any remuneration to be paid the Directors. The Committee will separately review and approve the remuneration to be paid to KMPs.

The key principles for each of the positions are outlined below:

Directors -The Directors shall receive remuneration by way of sitting fees and reimbursement of expenses for attending meetings of Board or Committee thereof. In addition, the Directors shall be eligible to receive profit related commission, as may be approved by the shareholders of the Company. Independent Directors shall not be entitled to any stock options.

KMPs/Senior Management Personnel/Other Employees – The Remuneration to be paid to KMPs/Senior Management Personnel/Other Employees shall be based on the experience, qualification and expertise of the talent. The compensation will be the balance of fixed pay, variable pay and/or Performance Based Incentive Plans.

The Company may periodically review the compensation and benefits at all levels to ensure that the company remains competitive and is able to attract and retain desirable talent. The Committee may review the overall compensation approach for employees and suggest changes, if required.

VI. CONFIDENTIALITY

The members of the Nomination and Remuneration Committee may not disclose, in particular, the information contained in the confidential reports they receive or the contents of confidential discussions.

They shall also ensure that any employees appointed to support them likewise comply with this rule.

VII. REVIEW

This policy will be reviewed at appropriate time, as decided by the Committee. The utility and interpretation of this policy will be at the sole discretion of the Committee.

For and on behalf of the Board of Directors

Sd/-

**G V Prasad
Director**

Sd/-

**Satish Reddy
Director**

Date: May 11, 2020

Place: Hyderabad

ANNEXURE III

Annual Report Corporate Social Responsibility (CSR)

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

The CSR Policy as approved by the Board of Directors of the Company can be viewed at <http://www.aurigene.com/about-aurigene-biotech/csr-policy-drug-discovery-process/>

2. The Composition of the CSR Committee.

As per Section 135 of the Companies Act, 2013, your Company has constituted a Corporate Social Responsibility (CSR) Committee of its Board of Directors on March 30, 2016. The Committee comprises of: Mr. Hariharnath Buggana (Independent Director) as Chairman, Mr. G V Prasad and Mr. Saumen Chakraborty.

3. Average net profit of the company for last three financial years

Rs. 4,812 Lakhs

4. Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)

Rs. 96.2 Lakhs

5. Details of CSR spent during the financial year.

(a) Total amount to be spent for the financial year;

Rs. 102 Lakhs

(b) Amount unspent, if any;

Nil

(c) Manner in which the amount spent during the financial year is detailed below.

(Amount in Lakhs)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR PROJECT OR ACTIVITIES IDENTIFIED	SECTOR IN WHICH THE PROJECT IS COVERED	PROJECTS OR PROGRAMS (1) LOCAL AREA OR OTHER (2) SPECIFY THE STATE & DISTRICTS WHERE PROJECTS OR PROGRAMS WAS UNDERTAKEN	AMOUNT OUTLAY (BUDGET) PROJECT OR PROGRAM WISE FOR FY2020	AMOUNT SPENT ON THE PROJECTS OR PROGRAMS	CUMULATIVE EXPENDITURE UPTO THE REPORTING PERIOD	AMOUNT SPENT: DIRECT OR THROUGH IMPLEMENTING AGENCY
1	Skill Development under National Employability Enhancement Mission (NEEM) through Team Lease Skill University	Skill Development	Local Area Karnataka-Bangalore	15	13	13	Direct - In association with Team Lease University
2	Construction of 2 Class Rooms	Education	Basarikatte Karnataka-Chickamangalur	30	30	30	Direct-in Association with Sri Sadguru Vidya Samithi Trust (R), Basarikatte
3	Skill Training Programme - GROW	Skill Development	Hyderabad	39	39	39	Direct-in Association with Dr. Reddy's Foundation
4	Scholarship Programme-Sashakt	Skill Development	Hyderabad	15	15	15	Direct-in Association with Dr. Reddy's Foundation

5	Social & other Initiative	Social Initiative	Bangalore	3	5	5	Direct -In association with Namma Bengaluru Awards Trust.
	TOTAL			102	102	102	

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report: - **Not Applicable**
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

The implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company.

Sd/-	Sd/-
Mr. Muralidhara Ramachandra Chief Executive Officer	Hariharnath Bugganna Chairman CSR Committee

Annexure- IV

FORM NO. AOC – 2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	Not Applicable
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names(s) of the related party and nature of relationship	Not Applicable
(b)	Nature of contracts/arrangements/ transactions	
(c)	Duration of the contracts/arrangements transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Date(s) of approval by the Board, if any	
(f)	Amount paid as advances, if any	

For and on behalf of the Board of Directors

Date: May 11, 2020
Place: Hyderabad

Sd/-
G V Prasad
Director

Sd/-
Satish Reddy
Director

Hyderabad | Gurgaon | Chennai | Mumbai | Amaravati



R & A Associates
 T 202, Technopolis, 1-10-74/B
 Above Ratnadeep Super Market
 Chikoti Gardens, Begumpet
 Hyderabad - 500016, India
 +91 40-4003 2244 - 47
 info@RnA-cs.com | www.RnA-cs.com

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
 FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020
[Pursuant to section 204(1) of the Companies Act, 2013 and rule no.9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
 The Members
AURIGENE DISCOVERY TECHNOLOGIES LIMITED
 39/49(P), KIADB Industrial Area, Electronics City Phase II
 Bangalore-560100, Karnataka, India

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. Aurigene Discovery Technologies Limited** (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ("SCRA") and the rules made thereunder (*Not applicable to the Company during the Audit Period*);
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder (*Not applicable to the Company during the Audit Period*);
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial

**RAGHU BABU
 GUNTURU**
Digitally signed by RAGHU BABU GUNTURU
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 serialNumber=cb825a32ee0faba177768da2
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 cn=RAGHU BABU GUNTURU
 Date: 2020.05.11 18:24:50 +05'30'

Borrowings;

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
- a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (*Not applicable to the Company during the Audit Period*);
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (*Not applicable to the Company during the Audit Period*);
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (*Not applicable to the Company during the Audit Period*);
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (*Not applicable to the Company during the Audit Period*);
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (*Not applicable to the Company during the Audit Period*);
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (*Not applicable to the Company during the Audit Period*);
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (*Not applicable to the Company during the Audit Period*);
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (*Not applicable to the Company during the Audit Period*); and
 - i. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (*Not applicable to the Company during the Audit Period*).
- (vi) We further report that the Company is engaged in research and development activity, drug discovery, development activities and licensing arrangements, as such there are no specific industry laws which are applicable to the Company.

We have also examined compliance with the applicable clauses of Secretarial Standards issued by the Institute of Company Secretaries of India.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Independent Directors. The changes in the composition of the Board of Directors that took place during the

Page 2 of 4

period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the Audit Period the Company has no specific events/actions having a major bearing on the Company's affairs in pursuance of the above-referred laws, rules, regulations, guidelines and standards, etc.

For R & A Associates

RAGHU BABU
GUNTURU

Digitally signed by RAGHU BABU GUNTURU
DN: cn=RAGHU BABU GUNTURU,
o=R&A Associates,
ou=Hyderabad,
email=RAGHU BABU GUNTURU@R&A Associates,
c=IN,
date=2020.05.11 18:25:51 +05'30'

Place : Hyderabad
Date : 11 May, 2020

(G Raghu Babu)
Partner
FCS.No.# 4448, C.P. # 2820
UDIN:F004448B000224351

[This report is to be read with my letter of even date which is annexed as Annexure – A and forms an integral part of this report.]

“Annexure – A”

To
The Members
AURIGENE DISCOVERY TECHNOLOGIES LIMITED
39/49(P), KIADB Industrial Area, Electronics City Phase II
Bangalore-560100, Karnataka, India

Our report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of M/s. Aurigene Discovery Technologies Limited (“the Company”). Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For R & A Associates

RAGHU BABU
GUNTURU

(G Raghu Babu)
Partner

FCS.No.# 4448, C.P. # 2820

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Date: 2020.05.11 18:26:17 +05'30'

Place : Hyderabad
Date : 11 May, 2020

Annexure VI

Statement of Particulars of Remuneration of top 10 employees in terms of remuneration and Employees (Employed for full year) in receipt of Remuneration in Excess of 1.02 Crores per annum / Employed for part of the financial Year and drawing remuneration of Rs. 8.5 Lakhs per month during FY2020

(Pursuant to Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

SI No.	Name of the Employee	Age	Designation	Gross Remuneration (in Rs. In lacs)	Qualification	Experience in Years	Date of Commencement of Employment	Particulars of Last Employment
1	Murali Ramachandra	59	CEO	228.44	PhD	31	February 14, 2005	Schering Plough Corporation, USA
2	Chetan Pandit	59	Sr. Vice President - Medicinal	115.80	PhD	27	April 2, 2007	Naeja Pharmaceuticals
3	Susanta Samajdar	49	Sr. Vice President - Medicinal	108.89	PhD	20	March 5, 2012	Jubilant Biosys
4	Ashish Lath	42	CFO Vice President - Finance (resigned during the year)	77.67	B Com, CA	20	October 29, 2012	Mahindra Reva Electric Vehicle pvt. Ltd
5	Shekar Chelur	47	Director - Toxicology	56.13	M.VSc	21	February 18, 2004	Zydus Cadila
6	Veerendra Patil	42	Sr. Director - HR	54.41	MBA	16	February 18, 2011	GMR Energy Ltd.
7	Rajesh Eswarappa	48	Director - Toxicology	48.03	PhD	25	April 17, 2014	Kemin Industries
8	Sanjeev Giri	41	Sr. Director - DMPK	59.35	PhD	17	March 10, 2014	Jubilant Biosys
9	CSN Murthy	53	CEO (Resigned during the year)	219.15	B Tech, MBA	30	April 1, 2005	Dr. Reddy's Laboratories Limited
10	Rajshree K T	46	Sr. Director-Strategic Alliances (Resigned during the year)	48.62	MBA	16	October 8, 2012	UBS.Service (INDIA) Private Limited.

Notes:

- 1) All the above employments are non-contractual.
- 2) None of the above employees are related to any Director or manager of the Company.
- 3) None of the above employees, by himself/herself or along with his/her spouse and dependent children holds 2% or more of the equity shares of the Company.

For and on behalf of the Board

Sd/-

G V Prasad

Director

Sd/-

Satish Reddy

Director

Date: May 11, 2020

Place: Hyderabad

ANNEXURE VII

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31 March, 2020

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

Sr. No.	Particulars	Details
i)	CIN	U24239KA2001PLC029391
ii)	Registration Date	August 10, 2001
iii)	Name of the Company	Aurigene Discovery Technologies Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	39/40(P), KIADB Industrial Area, Electronics City Phase II, Bengaluru, Karnataka - 560 100 Tel: +91-80-7102 5444 Fax: +91-80-2852 6285 Email id: shares@drreddys.com
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sr. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
1	Research and scientific services not classified elsewhere such as those rendered by institutions and laboratories engaged in research in the biological, physical and social sciences, meteorological institutes and medical research organisations etc.	922	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500 034	L85195TG1984PLC004507	Holding	100	2(46)
2	Aurigene Pharmaceutical Services Limited	39/40(P), KIADB Industrial Area, Electronics City Phase II, Bengaluru, Karnataka - 560 100	U74999KA2019PLC127964	Subsidiary	100	2(87)(ii)
3	Aurigene Discovery Technologies Inc., USA	107, College Road (E), Princeton, New Jersey - 08540, USA.	NA	Subsidiary	100	2(87)(ii)
4	Aurigene Discovery Technologies (Malaysia) SDN BHD	Aras 2, kompleks Pengurusan Penyelidikan & Inovasi (Level 2, Research Management & Innovation complex), University of Malaya, lembah Pantai 50603, Kuala Lumpur, Malaysia.	NA	Subsidiary	100	2(87)(ii)

* Represents aggregate % of shares held.

Grand Total (A+B+C)	0	90,544,104	90,544,104(*)	100	0	90,544,104	90,544,104 (*)	100	0
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(*) Out of 90,544,104 equity shares, 15 equity shares are held by six individuals as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	90,544,104	100	0	90,544,104	100	0	0
		90,544,104	100	0	90,544,104	100	0	0

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	90,544,104	100	90,544,104	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc):	No change during the year			
At the End of the year	90,544,104	100	90,544,104	100

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, if any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS								
1	Mr. Satish Reddy (Director)	01.04.2019	1	0	0	0	0	0
		31.03.2020	1	0	0	0	0	0
2	Mr. G V Prasad (Director)	01.04.2019	1	0	0	0	0	0
		31.03.2020	1	0	0	0	0	0
3	Mr. Saumen Chakraborty (Director)	01.04.2019	1	0	0	0	0	0
		31.03.2020	1	0	0	0	0	0
4	Mr. Hariharnath Buggana (Independent Director)	01.04.2019	0	0	0	0	0	0
		31.03.2020	0	0	0	0	0	0
5	Dr. Bruce L A Carter (Independent Director)	01.04.2019	0	0	0	0	0	0
		31.03.2020	0	0	0	0	0	0
6	Mr. Julius John Sheldon Knowles (Non-Executive Director) (resigned wef May 15, 2019)	01.04.2019	0	0	0	0	0	0
		15.05.2019	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs)								
7	Mr. CSN Murthy **	01.04.2019	10	0	-10	0	0	0

	(Chief Executive Officer)	30.06.2019	0	0	0	0	0	0
8	Dr. Muralidhara Ramachandra *** (Chief Executive Officer)	01.07.2019	-	-	10	-	-	-
		31.03.2020	10	-	10	-	-	-
9	Mr. Ashish Lath (Chief Financial Officer) #	01.04.2019	1	0	-1	0	0	0
		26.03.2020	1	0	0	0	0	0
10	Mr. Brijesh Kumar Karnani (Chief Financial Officer) ##	01.04.2019	0	0	0			
		26.03.2020	0	0	1			
11	Ms. Sudipta V (Company Secretary)	01.04.2018	0	0	0	0	0	0
		31.03.2019	0	0	0	0	0	0

* Held as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

** Resigned as a Chief Executive Officer – KMP on May 15, 2019 to be effective from June 30, 2019.

*** Appointed as a Chief Executive Officer – KMP on May 15, 2019 to be effective from July 1, 2019.

Resigned as Chief Financial Officer – KMP on March 26, 2020

Appointed as Chief Financial Officer – KMP on March 26, 2020

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2019)				
i) Principal Amount	0	0	0	0
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	0	0	0	0
Change in Indebtedness during the financial year				
Addition	0	0	0	0
Reduction	0	0	0	0
Net Change	0	0	0	0
Indebtedness at the end of the financial year (March 31, 2020)				
i) Principal Amount	0	0	0	0
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	0	0	0	0

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager: NIL

B) Remuneration of other directors –

Sl. No.	Particulars of Remuneration	Hariharnath Bugganna	Dr. Bruce L A Carter	Julius John Sheldon Knowles	Total Amount
	Independent Directors				
	· Fee for attending meetings	-	-	-	-
	· Commission	-	1,000,000	-	1,000,000
	· Others, please specify	-	-	-	-
	Total (1)	-	1,000,000	-	1,000,000
	Other Non-Executive Directors				
	· Fee for attending meetings	-	-	-	-
	· Commission	-	-	-	-
	· Others, please specify	-	-	1,000,000	1,000,000

	Total (2)	-	-	1,000,000	1,000,000
	Total (B)=(1+2)	-	1,000,000	1,000,000	1,000,000
	Total Managerial Remuneration	-	1,000,000	1,000,000 (*)	2,000,000
	Overall Ceiling as per the Act	Rs. 122.12 Lakhs			

(*) commission for FY2019 paid in Q1-FY20

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager

Sr no	Particulars of Remuneration	Key Managerial Personnel					Total Amount
		CEO (*)	CEO(**)	CFO(***)	CFO	Company Secretary	
		CSN Murthy(*)	Dr. Muralidhara	Ashish Lath	Brijesh Karnani	Sudipta V #	
1	Gross Salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	21,733,997	16,524,000	7,376,526	201,803	0	43,836,325
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	105,191	83,638	0	0	188,829
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	0	0	0	0	0	0
2	Stock Option	0	0	0	0	0	0
3	Sweat Equity	0	0	0	0	0	0
4	Commission	0	0	0	0	0	0
	- as a % of profit	0	0	0	0	0	0
	- others	0	0	0	0	0	0
5	Others, please specify - Company's contribution to PF	180,000	504,000	306,387	6,113	0	996,500
	Total	21,913,997	17,133,191	7,766,550	207,916	0	47,021,655

(*) paid till June 30, 2019

(**) paid after July 1, 2019

(***) Paid till March 26, 2020

(#) Paid by Dr. Reddy's Laboratories Limited, Holding Company.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES –

Nil

For and on behalf of the Board of Directors

Date: May 11, 2020

Place: Hyderabad

Sd/-
G V Prasad
Director

Sd/-
K Satish Reddy
Director

INDEPENDENT AUDITOR'S REPORT

To the Members of Aurigene Discovery Technologies Limited

Report on the Audit of the Ind AS Financial Statements**Opinion**

We have audited the accompanying standalone Ind AS financial statements of Aurigene Discovery Technologies Limited ("the Company"), which comprise the Balance sheet as at March 31 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board report, but does not include the Ind AS financial statements and our auditor's report thereon.

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

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act



with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to



the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
 - (g) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
 - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

- i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 23 to the Ind AS financial statements;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004


per **Rajeev Kumar**

Partner

Membership Number: 213803

UDIN: 20213803AAAABD5006

Place of Signature: Bengaluru

Date: 11 May 2020



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

Annexure 1 to the Independent Auditor's Report of even date on the Ind AS Financial Statements of Aurigene Discovery Technologies Limited

Re: Aurigene Discovery Technologies Limited ("the Company")

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) All property, plant and equipment have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification. There is no inventory lying with third parties.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of Section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the products/ services of the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues applicable to it. The provisions relating to employees' state insurance are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

					Amount in Lacs
Name of the Statute	Nature of the dues	Amount of demand	Amount paid under protest	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	118.79	17.82	AY 2013-14	Commissioner of Income Tax (Appeals)-1, Bangalore
Income Tax Act, 1961	Income tax	439.08	65.90	AY 2014-15	Commissioner of Income Tax (Appeals)-1, Bangalore
Income Tax Act, 1961	Income tax	142.70	28.60	AY 2015-16	Commissioner of Income Tax (Appeals)-1, Bangalore
Income Tax Act, 1961	Income tax	273.02	53	AY 2016-17	Commissioner of Income Tax (Appeals)-1, Bangalore
Income Tax Act, 1961	Income tax	140.21	29	AY 2017-18	Commissioner of Income Tax (Appeals)-1, Bangalore
Finance Act, 1994	Service tax	57.95	4.35	Financial year 2003-04	CESTAT, Bangalore
Karnataka Value Added Tax Act, 2003	VAT	7.53	-	AY 2015-16	Commissioner of Commercial Taxes Karnataka

- (viii) The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid/ provided in accordance with the requisite approvals mandate by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004


per **Rajeev Kumar**
Partner

Membership Number: 213803

UDIN: 20213803AAAABD5006

Place of Signature: Bengaluru

Date: 11 May 2020



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

Annexure 2 to the Independent Auditor's Report of even date on the Ind AS Financial Statements of Aurigene Discovery Technologies Limited

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

We have audited the internal financial controls over financial reporting of **Aurigene Discovery Technologies Limited** ("the Company") as of March 31, 2020 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with reference to these Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these Ind AS financial statements includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting with reference to these Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these Ind AS financial statements and such internal financial controls over financial reporting with reference to these Ind AS financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004


per Rajeev Kumar

Partner

Membership Number: 213803

UDIN: 20213803AAAABD5006

Place of Signature: Bengaluru

Date: 11 May 2020



Particulars	Note	As at March 31, 2020	As at March 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	3	6,518	6,900
Capital work in progress		477	-
Financial assets			
Investments	4	3,072	7,678
Other financial assets	5	46	48
Current tax assets (net)		121	206
Other assets	6	256	105
		10,490	14,937
Current assets			
Inventories	7	143	110
Financial assets			
Investments	4	21,335	8,233
Trade receivables	8	5,080	2,739
Cash and cash equivalent	9	996	386
Other financial assets	5	121	372
Other assets	6	1,399	1,304
		29,074	13,144
Total assets		39,564	28,081
Equity and liabilities			
Equity			
Equity share capital	10	9,054	9,054
Other equity			
Share premium		288	288
General reserve		321	321
Capital redemption reserve		1,475	1,475
Capital reserve		18	18
Retained earnings		21,192	12,078
Other reserves		(24,088)	(19,529)
Total equity		8,260	3,705
Non-current liabilities			
Deferred tax liabilities (net)	33	46	90
Other liabilities	11	16,559	16,809
		16,605	16,899
Current liabilities			
Financial Liabilities			
Trade payables			
total outstanding dues of micro enterprises and small enterprises	12	5	-
total outstanding dues of creditors other than micro enterprises and small enterprises		1,182	1,178
Other payables	13	645	130
Other liabilities	11	12,867	6,169
		14,699	7,477
Total liabilities		31,304	24,376
Total equity and liabilities		39,564	28,081
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date

For S.R. Batliboi & Associates LLP
 Chartered Accountants
 Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

Rajeev Kumar
 Partner
 Membership no.: 213803
 Place: Bangalore
 Date : May 11, 2020

G.V. Prasad
 Director
 Place: Hyderabad
 Date : May 11, 2020

Satish Reddy
 Director
 Place: Hyderabad
 Date : May 11, 2020

Muralidhara Ramachandra
 Chief Executive Officer
 Place: Bangalore
 Date : May 11, 2020

Brijesh Kumar Karnani
 Chief Financial Officer
 Place: Hyderabad
 Date : May 11, 2020

Sudipta V
 Company Secretary
 Place: Hyderabad
 Date : May 11, 2020

Particulars	Note	For the year ended	For the year ended
		March 31, 2020	March 31, 2019
Revenue from contracts with customers	14	28,005	21,121
Other operating income		3	6
Other income	15	303	247
Finance income	16	908	722
Total income		29,219	22,096
Expenses			
Employee benefits expense	17	7,220	6,173
Depreciation and amortization expense	3	1,101	1,133
Other expenses	18	8,727	8,260
Finance costs	19	3	29
Total expense		17,051	15,595
Profit before tax		12,168	6,501
(1) Current tax	33	3,080	1,769
(2) Adjustment of tax relating to earlier periods	33	17	31
(3) Deferred tax	33	(43)	95
Income tax expense		3,054	1,895
Profit for the year		9,114	4,606
Other comprehensive income			
Items that are not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/ (losses) on defined benefit plans	28	52	(40)
Income tax effect		(0)	(4)
		52	(44)
Net gain/ (loss) on fair values through other comprehensive income for equity shares		(4,611)	(4,114)
Income Tax effect		-	(4,115)
		(4,611)	(8,229)
Other comprehensive income for the year, net of tax		(4,559)	(8,273)
Total comprehensive income for the year, net of tax		4,555	(3,667)
Earnings per share	31		
Basic, computed on the basis of profit from operations attributable to equity shareholders		10.07	5.09
Diluted, computed on the basis of profit from operations attributable to equity shareholders		10.07	5.09
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

Rajeev Kumar
Partner
Membership no.: 213803
Place: Bangalore
Date : May 11, 2020

G.V. Prasad
Director
Place: Hyderabad
Date : May 11, 2020

Satish Reddy
Director
Place: Hyderabad
Date : May 11, 2020

Muralidhara Ramachandra
Chief Executive Officer
Place: Bangalore
Date : May 11, 2020

Brijesh Kumar Karnani
Chief Financial Officer
Place: Hyderabad
Date : May 11, 2020

Sudipta V
Company Secretary
Place: Hyderabad
Date : May 11, 2020

Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash flows from operating activities			
Profit before tax		12,168	6,501
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation and impairment of property, plant and equipment		1,101	1,133
Unrealised foreign currency (gain)/ loss		(47)	16
Loss on disposal of property, plant and equipment		19	(1)
Finance income (including fair value changes)		(865)	(722)
Finance expense (including fair value changes)		3	29
Operating cash flow before working capital changes		12,379	6,956
<i>Working capital adjustments:</i>			
Inventories		(34)	13
Trade receivables and unbilled revenue		(1,976)	(957)
Financial assets and other assets		(148)	234
Trade payables		1	(413)
Contract Liabilities		6,157	(6,016)
Other liabilities		342	(189)
		16,721	(373)
Income tax paid		(3,016)	(1,911)
Net cash flows generated by/ (used in) operating activities (A)		13,705	(2,284)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6	1
Purchase of property, plant and equipment		(861)	(1,803)
Purchase of mutual funds		(29,695)	(7,006)
Proceeds from sale of mutual funds		17,448	11,114
Interest on fixed deposits received		11	14
Investment in New Subsidiary		(5)	-
Net cash flows generated by/ (used in) investing activities (B)		(13,096)	2,320
Cash flows from financing activities			
Net cash flows used in financing activities (C)		-	-
Net increase in cash and cash equivalents (A+B+C)		609	36
Net foreign exchange difference		1	-
Cash and cash equivalents at the beginning of the year		216	180
Cash and cash equivalents at year end	9	826	216
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

Rajeev Kumar
Partner
Membership no.: 213803

Place: Bangalore
Date : May 11, 2020

G.V. Prasad
Director

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Brijesh Kumar Karnani
Chief Financial Officer

Place: Hyderabad
Date : May 11, 2020

Sudipta V
Company Secretary

Place: Hyderabad
Date : May 11, 2020

Aurigene Discovery Technologies Limited
Statement of changes in equity for the year ended March 31, 2020
All amounts in Indian Rupees lacs, except share data and where otherwise stated

Particulars	Equity share capital	Reserves and Surplus					Items of OCI		Total equity
		Share premium	General Reserve	Capital redemption reserve	Capital reserve	Retained earnings	Equity instruments through OCI	Actuarial gains/(losses)	
As at April 1, 2018	9,054	288	321	1,475	18	7,472	(11,235)	(21)	7,372
Profit for the year	-	-	-	-	-	4,606	-	-	4,606
Remeasurement of net defined benefit liability, net of tax	-	-	-	-	-	-	-	(44)	(44)
Equity instruments through OCI, net of tax	-	-	-	-	-	-	(8,229)	-	(8,229)
Total comprehensive income	-	-	-	-	-	4,606	(8,229)	(44)	(3,667)
As at March 31, 2019	9,054	288	321	1,475	18	12,078	(19,464)	(65)	3,705
Profit for the year	-	-	-	-	-	9,114	-	-	9,114
Remeasurement of net defined benefit liability, net of tax	-	-	-	-	-	-	-	52	52
Equity instruments through OCI, net of tax	-	-	-	-	-	-	(4,611)	-	(4,611)
Total comprehensive income	-	-	-	-	-	9,114	(4,611)	52	4,555
As at March 31, 2020	9,054	288	321	1,475	18	21,192	(24,075)	(13)	8,260

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

Rajeev Kumar
Partner
Membership no.: 213803

Place: Bangalore
Date : May 11, 2020

G.V. Prasad
Director

Place: Hyderabad
Date : May 11, 2020

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Place: Hyderabad
Date : May 11, 2020

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Chief Executive Officer

Place: Bangalore
Date : May 11, 2020

Brijesh Kumar Karnani
Chief Financial Officer

Place: Hyderabad
Date : May 11, 2020

Sudipta V
Company Secretary

Place: Hyderabad
Date : May 11, 2020

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended March 31, 2020

1. Corporate information

Aurigene Discovery Technologies Limited ('Aurigene' or 'the Company') was incorporated as a Private Limited Company on August 10, 2001. Subsequently, on November 13, 2001, the Company was converted into a Public Limited Company. The Company is promoted by Dr. Reddy's Laboratories Limited ('DRL') and is a wholly owned subsidiary of DRL. The main business activity of the Company is to undertake research relating to drug discovery for its customers, long term collaboration with customers for drug discovery and licensing of intellectual property rights. The Company commenced its commercial operations from April 1, 2003.

The financial statements are approved for issue by the Company's Board of Directors on May 11, 2020.

2. Significant accounting policies

2.1. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values and the provisions of the Companies Act, 2013 ('Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2018.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Refer 2.3 below for implementation of new accounting pronouncements.

The financial statements are presented in Indian rupees, which is the functional currency of the Company, and all values are rounded to the nearest lacs (INR 00,000), except when otherwise indicated. '0' in the financial statements represents rounding off of number whereas '-' represents absolute number as nil.

Functional currency of an entity is the currency of the primary economic environment in which the entity operates.

2.2. Use of estimate

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and use of assumptions in these financial statements have been disclosed in note 41.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended March 31, 2020 (continued)

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements

2.3. New Standards adopted by the Company

A) During the Current Year

a. Ind AS 116, “Leases”

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained.

Upon adoption of the new standard, a portion of the annual operating lease costs, which was previously fully recognized as a rental / lease expense, is recorded as interest expense. In addition, the portion of the lease payments which represents the reduction of the lease liability is recognized in the cash flow statement as an outflow from financing activities, which was previously fully recognized as an outflow from operating activities.

Impact of the implementation of Ind AS 116 on the Company:

The Company implemented the new standard on 1 April 2019, and applied the modified retrospective method, with right-of-use assets measured at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments relating to those leases recognized in the statements of financial position immediately before the date of initial application and will not restate prior years.

The Company elected to use the transition practical expedient that allows the standard to be applied only to contracts previously identified under Ind AS 17, “Leases” and the contracts assessed using the guidance available under Appendix – C to Ind AS 17, “Determining Whether an Arrangement Contains a Lease”.

The Company also elected to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“short-term leases”) and lease contracts for which the underlying asset is of low value (“low value assets”).

As all the leases have a term of less than 12 months for the Company, there is no impact of the new accounting standard on the Company on April 1, 2019.

Adoption of the new standard had no impact upon leases for which the Company is a lessor.

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended March 31, 2020 (continued)

b. Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.

Appendix C explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The amendment provides specific guidance in several areas where previously Ind AS 12 was silent. Appendix C applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The Company has applied the amendment from 1 April 2019 and the adoption of amendments to Ind AS 12 in the form of Appendix C did not have any material impact on its financial statements.

B) During the Previous Year

Ind AS 115, Revenue from contracts with customers

Effective April 1, 2018 the Company has adopted Ind AS 115, “Revenue from Contracts with Customers”. This comprehensive new standard supersedes Ind AS 18, “Revenue”, Ind AS 11, “Construction contracts” and related interpretations.

The Company applied the modified retrospective method upon adoption of Ind AS 115 on April 1, 2018. This method requires the recognition of the cumulative effect of initially applying Ind AS 115 to retained earnings and the comparatives have not been retrospectively adjusted. The effect on adoption of Ind AS 115 was insignificant. The impacts of the adoption of the new standard are summarized below:

Sale of goods

Revenue from sale of goods is recognized where control is transferred to the Company’s customers at the time of shipment to or receipt of goods by the customers. There was no change in the point of recognition of revenue upon adoption of Ind AS 115.

Service income

Service income, which primarily relates to revenue from contract research, is recognized as and when the underlying services are performed. There was no change in the point of recognition of revenue upon adoption of Ind AS 115. Upfront non-refundable payments received under these arrangements continue to be deferred and are recognized over the expected period that related services are to be performed.

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended March 31, 2020 (continued)

License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognized when control transfers to the third party and the Company's performance obligations are satisfied. The adoption of Ind AS 115 did not significantly change the timing or amount of revenue recognized from these arrangements. Upfront non-refundable payments received under these arrangements continue to be deferred and are recognized over the expected period that related services are to be performed.

2.4. Current and non-current classification

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule III to the Companies Act, 2013.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within twelve months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within twelve months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

2.5. Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Foreign-currency denominated monetary assets and liabilities are translated into the functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in the statement of profit and loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-

Aurigene Discovery Technologies Limited**Notes to the financial statements for the year ended March 31, 2020 (continued)**

monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

2.6. Revenue from contracts with customers

The Company derives its revenue mainly from research services relating to drug discovery for its customers, collaboration with customers for drug discovery and licensing. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Service income

Revenue from services rendered, which primarily relate to contract research, is recognized as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognized as revenue over the expected period over which the related services are expected to be performed.

Sale of goods

Revenue is recognized when control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either on shipment or on receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Product sales represent net invoice value less estimated rebates and returns, which are considered to be key estimates. Revenue from the sale of goods includes relevant taxes and is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Out licensing arrangements, milestone payments and royalties

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. In cases where the transaction has two or more components, the Company accounts for the delivered item (for example, the transfer of title to the intangible asset) as a separate unit of accounting and record revenue on delivery of that component, provided that the Company can make a reasonable estimate of the fair value of the undelivered component. Otherwise, non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which the Company has pending performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues on achievement of such milestones over the performance period depending on the terms of the contract. Royalty income earned through a license is recognized when the underlying sales have occurred.

Aurigene Discovery Technologies Limited**Notes to the financial statements for the year ended March 31, 2020 (continued)****2.7. Interest income**

Interest income is recognised using the effective interest method. Effective interest is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit and loss.

2.8. Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to income are deducted in reporting the related expense in the statement of profit and loss.

2.9. Income tax

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect of changes in tax rates on deferred tax assets and liabilities is recognized in the statement of profit and loss in the period that includes the enactment or the substantive enactment date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. Deferred income taxes are not provided on the undistributed earnings of subsidiaries where it is expected that the earnings of the subsidiary will not be distributed in the foreseeable future. The Company recognises deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- a) When the Company is able to control the timing of the reversal of the temporary difference; and
- b) it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on

Aurigene Discovery Technologies Limited**Notes to the financial statements for the year ended March 31, 2020 (continued)**

different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

2.10. Research and development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the statement of profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if:

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the statement of profit and loss as incurred.

2.11. Property, plant and equipment*Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Cost of self-constructed assets includes cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the statement of profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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Notes to the financial statements for the year ended March 31, 2020 (continued)

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Asset Description	Useful life
Buildings	30 years
Laboratory equipment	8 years
Electrical equipment	8 years
Plant and machinery	8 years
Computers	3 years
Office equipment	5 - 8 years
Furniture and fixtures	8 years
Vehicles	5 years
Technical know-how	3 years

In terms of proviso to clause 3(i) of Part A of Schedule II to the Companies Act, 2013 (the Act), the Company based on its technical evaluation concluded that its existing useful life determined hitherto is appropriate and accordingly has decided to retain the same adopted for various categories of fixed assets, which in certain cases, differ from those prescribed in Schedule II to the Companies Act, 2013.

Cost of property, plant and equipment not ready to use as of the reporting date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

2.12. Inventories

Inventories primarily consist of laboratory consumables and work-in-progress and are measured at lower of cost and net realisable value. Cost is based on the weighted average method. Cost includes expenditures incurred in acquiring, production or converting the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving and obsolete inventory include estimated shelf life and ageing of inventory. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended March 31, 2020 (continued)

2.13. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.15 Impairment of non-financial assets.

ii) Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended March 31, 2020 (continued)

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.14. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the Company operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of

Aurigene Discovery Technologies Limited**Notes to the financial statements for the year ended March 31, 2020 (continued)**

the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.15. Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) attributable to ordinary equity holders of the Company by weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.16. Employee benefits*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates based on the prevailing market yields on Indian Government securities. The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognized immediately in the statement of profit and loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Aurigene Discovery Technologies Limited**Notes to the financial statements for the year ended March 31, 2020 (continued)***Other long-term employee benefits*

The Company's net obligation in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognized in the statement of profit and loss in the period in which they arise.

Compensated absences

The Company provides for encashment of compensated absences payable to employees at the end of each financial year. The employees can also carry forward a portion of the unutilized compensated absences and utilize it in the subsequent year or receive cash compensation on termination of employment in the subsequent year. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement.

2.17. Provisions, contingent liabilities and contingent assets

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reasonably, and it is probable that an outflow of economic benefits will be required to settle 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.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Aurigene Discovery Technologies Limited**Notes to the financial statements for the year ended March 31, 2020 (continued)***Contingent assets*

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

2.18. Cash and cash equivalent

Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.19. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the company is segregated.

Deposits with original maturity of greater than 3 months from the date of creation of the deposits are not considered as cash equivalents for the purpose of cash flow statement.

2.20. Dividends

Final dividends on shares are recorded as a liability on the date of approval by the shareholders.

2.21. Financial instruments

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

a) Financial assets:*Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended March 31, 2020 (continued)

Subsequent measurement

i) Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

ii) Financial assets at fair value through other comprehensive income

All equity investments in scope of Ind AS 109 are measured at fair value. For all equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. 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 recognised in the OCI. There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

iii) Investments in subsidiaries

Investments in subsidiaries and joint venture are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognized in the statement of profit and loss.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109.

Impairment of financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended March 31, 2020 (continued)

increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognized as an impairment gain or loss in profit or loss.

b) Financial liabilities:

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities primarily include trade and other payables.

Subsequent measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

ii) Trade and other payables

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate the fair value due to the short maturity of these instruments.

Derecognition

A financial liability (or a part of a financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

2.22. 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 Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Aurigene Discovery Technologies Limited**Notes to the financial statements for the year ended March 31, 2020 (continued)**

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.

A fair value measurement of a non-financial asset takes into account a 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 are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended March 31, 2020

All amounts in Indian Rupees lacs, except share data and where otherwise stated

3) Property, plant and equipment

Particulars	Freehold land	Buildings	Laboratory equipment	Electrical equipment	Plant & machinery	Computers & software	Furniture & Fixture	Vehicles	Office Equipment	Total
Gross block										
As at March 31, 2018	530	3,470	10,158	1,857	208	970	825	110	251	18,379
Additions	-	68	1,201	216	14	139	46	-	11	1,695
Disposals	-	-	(176)	(1)	-	(13)	-	-	-	(190)
As at March 31, 2019	530	3,538	11,183	2,072	222	1,096	871	110	262	19,884
Additions	-	-	653	31	2	36	3	12	7	744
Disposals	-	(9)	(757)	(88)	(59)	(68)	(6)	(14)	(49)	-1,050
As at March 31, 2020	530	3,529	11,079	2,015	165	1,064	868	108	220	19,578
Accumulated Depreciation										
As at March 31, 2018	-	1,356	7,259	1,515	196	736	699	56	224	12,041
Depreciation charge for the year	-	116	731	95	5	118	34	13	21	1,133
Disposals	-	-	(176)	(1)	-	(13)	-	-	-	(190)
As at March 31, 2019	-	1,472	7,814	1,609	201	841	733	69	245	12,984
Depreciation charge for the year	-	117	688	93	5	143	28	14	13	1,101
Disposals	-	-	-742	-88	(58)	-69	(6)	(13)	(49)	-1,025
As at March 31, 2020	-	1,589	7,760	1,614	148	915	755	70	209	13,060
Net block										
As at March 31, 2018	530	2,114	2,899	342	12	234	126	54	27	6,338
As at March 31, 2019	530	2,066	3,369	463	21	255	138	41	17	6,900
As at March 31, 2020	530	1,940	3,319	401	17	149	113	38	11	6,518

The Capital Work in progress as at 31st March 2020 and 31st March 2019 are Rs.477 and Rs.Nil respectively.

4) Investments

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Equity instruments of subsidiaries (unquoted, at cost)	2,626	2,621
Less: Provision for diminution in value of investment in subsidiaries	(2,465)	(2,465)
Equity instruments of others (quoted, at fair value through OCI)	2,911	7,522
	3,072	7,678
Current		
Units of mutual funds (unquoted, at fair value through profit and loss) (refer note 27)	21,335	8,233
	21,335	8,233
	24,407	15,911
Investments in subsidiaries (carried at cost)		
<i>Unquoted equity shares of subsidiary companies</i>		
5,215,000 (Previous year: 5,215,000) common stock of USD 1 each, fully paid up, of Aurigene Discovery Technologies Inc., U.S.A., representing 100% ownership interest and voting rights	2,465	2,465
1,000,000 (Previous year : 1,000,000) common stock of Malaysian Ringgits 1 each, fully paid up, of Aurigene Discovery Technologies Sdn Bhd, Malaysia, representing 100% ownership interest and voting rights	156	156
50,000 (Previous year: Nil) equity shares of Rs. 10 each, fully paid up of Aurigene Pharmaceutical Services Limited, representing 100% ownership interest and voting rights	5	-
Total investments in subsidiaries	2,626	2,621
Less: Provision for diminution in value of investments	(2,465)	(2,465)
Net investments in subsidiaries	161	156
Investments in equity instruments of others (at fair value through OCI)		
5,465,693 (31 March 2019: 5,465,693) common stock of USD 0.01 each (31 March 2019: USD 0.01), fully paid up, of Curis Inc., USA, listed on the NASDAQ (Refer Note 34)	2,911	7,522
	2,911	7,522
Aggregate book value of quoted investments	2,911	7,522
Aggregate market value of quoted investments	2,911	7,522
Aggregate value of unquoted investments	23,960	10,854
Aggregate amount of impairment in value of investments in unquoted investments	(2,465)	(2,465)

5) Other financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Non current		
(Unsecured, considered good)		
Security deposits	46	48
	46	48
Current		
(Unsecured, considered good)		
Contract assets	39	345
Due from related parties (Refer Note 36)	79	24
Interest accrued but not due	1	1
Loans and advances to employees	2	2
	121	372
	167	420

6) Other assets

Particulars	As at March 31, 2020	As at March 31, 2019
Non current		
(Unsecured, considered good)		
Balances with statutory authorities	5	5
Capital advances	234	83
Other receivables (Refer note 36)	17	17
	<u>256</u>	<u>105</u>
Current		
(Unsecured, considered good)		
Advance to suppliers	108	203
Prepaid expenses	170	178
Balances with statutory authorities	1,081	923
Other receivables	40	-
	<u>1,399</u>	<u>1,304</u>
	<u>1,655</u>	<u>1,409</u>

7) Inventories

Particulars	As at March 31, 2020	As at March 31, 2019
Consumables at cost	158	113
Less: Provision for inventories	(15)	(3)
	<u>143</u>	<u>110</u>

8) Trade receivables

Particulars	As at March 31, 2020	As at March 31, 2019
Trade receivables	5,027	2,707
Receivables from related parties (Refer note 36) *	53	32
	<u>5,080</u>	<u>2,739</u>
<i>Break-up for security details:</i>		
Unsecured, considered good	5,080	2,739
	<u>5,080</u>	<u>2,739</u>

* Dues from related parties represents receivables from companies in which Director(s) of the Company are Directors.
Trade receivables are non-interest bearing and are generally on credit terms of 30 to 90 days.

9) Cash and cash equivalent

Particulars	As at March 31, 2020	As at March 31, 2019
Balances with banks:		
– In current accounts	826	216
Cash in hand	0	-
	<u>826</u>	<u>216</u>
Other bank balances (due to mature within 12 month of the reporting date)*	170	170
	<u>996</u>	<u>386</u>

* Includes deposit of Rs. 170 (31 March 2019: Rs. 170) under lien against certain facilities from bank. As at March 31, 2020 and March 31, 2019, the Company had not drawn any amount against these facilities. Accordingly, these deposits are considered as cash and cash equivalents.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

Balances with banks:		
– In current accounts	826	216
Cash on hand	0	-
	<u>826</u>	<u>216</u>

10) Share capital

Particulars	As at	
	March 31, 2020	March 31, 2019
Authorised shares		
95,000,000 (Previous year : 95,000,000) equity shares of Rs. 10 each	9,500	9,500
45,000,000 (Previous year : 45,000,000) 8% cumulative redeemable preference shares of Rs. 10 each	4,500	4,500
	14,000	14,000
Issued, subscribed and fully paid-up shares		
90,544,104 (March 31, 2019: 90,544,104) equity shares of Rs. 10 each, fully paid up	9,054	9,054
	9,054	9,054

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	March 31, 2020		March 31, 2019	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
At the beginning of the year	90,544,104	9,054	90,544,104	9,054
Add: Issued during the year	-	-	-	-
Outstanding at the end of the year	90,544,104	9,054	90,544,104	9,054

(b) Terms and rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. The dividend proposed by the Board of Directors is subject to shareholder's approval at the ensuing Annual General Meeting. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

(c) Shares held by holding/ultimate holding company and/ or their subsidiaries/ associates

Out of equity shares issued by the Company, shares held by its holding company, ultimate holding company & their subsidiaries/ associates are as below:

Particulars	As at	
	March 31, 2020	March 31, 2019
Dr. Reddy's Laboratories Limited (Holding company) *		
90,544,089 (March 31, 2019: 90,544,089), fully paid up equity shares of Rs. 10/- each	9,054	9,054

* Apart from the above, 15 (March 31, 2019: 15) fully paid up equity shares of Rs 10/- each are held by the nominees of Dr. Reddy's Laboratories Limited (Holding company)

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

Name of shareholder	March 31, 2020		March 31, 2019	
	No. of shares	% holding	No. of shares	% holding
Equity shares				
Dr. Reddy's Laboratories Limited (Holding company)	90,544,089	99.99%	90,544,089	99.99%

(e) During the five year period ended on March 31, 2020, no shares were issued for consideration other than cash or as bonus shares.

(f) During the five-year period ended on March 31, 2020, no shares have been bought back.

(g) No shares have been reserved for issue under options, contracts, commitments for sale of shares or divestment including the terms and the amounts.

11) Other liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Non current		
Employee benefit liabilities		
Contract liability (Refer note 14)	16,559	16,809
	16,559	16,809
Current		
Employee benefit liabilities		
Net employee defined benefit liabilities (Refer note 28)	76	140
Compensated absences (Refer note 30)	261	247
Accrued compensation	750	412
Withholding taxes and other statutory dues payable	156	153
Contract liability (Refer note 14)	11,624	5,217
	12,867	6,169
Total other liabilities	29,426	22,978

12) Trade payables

Particulars	As at March 31, 2020	As at March 31, 2019
Due to related parties (Refer Note 36)	234	217
Due to other than related parties (Refer note 32 for dues to MSMED)	953	961
	1,187	1,178
Total outstanding dues of micro enterprises and small enterprises; and	5	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,182	1,178
	1,187	1,178

Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

	As at March 31, 2020	As at March 31, 2019
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	5	-
Interest due on above	-	-
	5	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The 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 MSMED Act 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The 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 MSMED Act 2006	-	-

13) Other payables

Particulars	As at March 31, 2020	As at March 31, 2019
Creditors for capital goods	645	130
	645	130

14) Revenue from contracts with customers

Disaggregated revenue information

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Research services	11,547	9,079
Discovery and collaboration	7,896	5,896
Licensing	8,562	6,146
	28,005	21,121

From 1 July 2017 onwards the excise duty and most indirect taxes in India have been replaced Goods and Service Tax (GST). The Company collects GST on behalf of the Government. Hence, GST is not included in revenue from contracts with customers.

Analysis of revenues by geography:

The following table shows the distribution of the Company's revenues by country, based on the location of the customers:

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Revenue from customers in India	1,261	577
	1,261	577
Revenue from customers outside India:		
United States of America	23,842	16,263
Finland	1,178	2,126
Japan	622	539
Germany	582	666
Others	520	950
	26,744	20,545
	28,005	21,122

Information about major customers

Revenues from two customers of the Company were Rs 6,280 and Rs 5,765 representing approximately 22% and 21%, respectively, of the Company's total revenues for the year ended 31 March 2020.

Revenues from two customers of the Company were Rs 6,557 and Rs 5,320, representing approximately 31% and 25%, respectively, of the Company's total revenues for the year ended 31 March 2019.

Details of contract asset:

Contract assets are initially recognised for revenue earned from services as receipt of consideration is conditional on successful completion of the services. Upon completion of the services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As on March 31, 2020 and March 31, 2019, the Company has Rs 39 and Rs 345, respectively as contract asset. The decrease in contract assets as on March 31, 2020 is the result of the decrease in ongoing services at the end of the year. In March 31, 2020, Rs nil (March 31, 2019: Rs nil) was recognised as provision for expected credit losses on contract assets.

Details of contract liabilities:

Details of deferred revenue:

Tabulated below is the reconciliation of deferred and unearned revenue for the years ended March 31, 2020 and March 31, 2019.

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Balance as at April 1	21,657	27,813
Revenue recognised during the year	(10,737)	(6,295)
Milestone payment received during the year	16,776	139
Balance as at March 31	27,696	21,657
Current	11,137	4,848
Non-current	16,559	16,809
	27,696	21,657

Details of advance from customers:

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Advance from customers	488	369
	488	369
Current	11,624	5,217
Non-current	16,559	16,809
Total contract liabilities	28,183	22,026

15) Other income		
Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Rental income (Refer note 25)	124	124
Exchange differences (net)	179	122
Net gain on disposal of property, plant and equipment	-	1
	<u>303</u>	<u>247</u>
16) Finance income		
Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest income on fixed deposits	10	13
Profit/ (loss) on sale of mutual funds	898	464
Fair value gain on financial instruments at fair value through profit or loss	-	245
	<u>908</u>	<u>722</u>
17) Employee benefits expense		
Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus	6,596	5,604
Contribution to provident and other funds (Refer note 29)	319	294
Gratuity expense (Refer note 28)	128	117
Staff welfare expenses	177	158
	<u>7,220</u>	<u>6,173</u>

18) Other expenses		
Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Consumables and clinical studies cost	5,393	5,241
Power and fuel	551	566
Rent (Refer note 25)	200	168
Repairs and maintenance		
Buildings	34	35
Plant and machinery	561	527
Others	448	444
Travelling and conveyance	194	242
Legal and professional fees (Refer note 20 for details on payment to auditors)	421	282
Business development expenses	80	86
Communication costs	55	51
Membership and subscription	121	129
Rates and taxes	122	30
Insurance	21	24
Bank Charges	9	10
Freight and forwarding charges	89	88
Science software expense	69	81
Recruitment	46	36
Security	78	67
Environmental and safety expenses	44	43
Printing and stationery	17	17
Net loss on disposal of property, plant and equipment	19	0
Fair value loss on financial instruments at fair value through profit or loss	43	0
CSR expenditure (Refer note 21)	102	73
Directors remuneration (Refer note 36)	10	20
	8,727	8,260

19) Finance cost

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Interest on income tax (net)	3	29
	<u>3</u>	<u>29</u>

20) Payment to Auditors

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
(Included in legal and professional fees under other expenses)		
Statutory audit fee	13	11
Reimbursement of expenses	0	1
Certification	1	1
	<u>14</u>	<u>13</u>

The amounts are excluding applicable taxes.

21) Details of CSR expenditure:

As per Section 135 of the Companies Act 2013, the Company has identified areas including activities for promoting programs that benefit the communities in and around Aurigene's work centre and further results in enhancing the quality of life and economic well-being of the local populace, express commitment to the social development through responsible business practices and good governance, engage with state and its agencies in pursuing the development agenda for sustainable changes for its CSR activities. These areas will be pursued in phases and in a manner aligned with the CSR rules and regulations. The funds have been contributed to trusts/organisations involved in the above activities and will be utilised on the activities which are specified in Schedule VII of the Companies Act 2013.

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Gross amount required to be spent by the Company during the year	96	80
Amount spent during the year		
- Construction/acquisition of any asset	0	10
- Donations to prescribed trusts/ organisation engaged in CSR activities	89	15
- Purposes other than above	13	48
	<u>102</u>	<u>73</u>

22) Dividend distribution made and proposed during the year

No dividend has been proposed by the Board of Directors for the year ended March 31, 2020 and March 31, 2019.

23) Contingent liabilities

(a) The Bangalore Unit of the Company is registered as a 100% export oriented unit (“EOU”), and is exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Company has executed legal undertakings to pay Customs duty, Central Excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. During the year, the company had opted out to be an EOU voluntarily and has remitted all the applicable taxes in this regard.

As on March 31, 2020 the Company has a positive Net Foreign Exchange Earning, as defined in the Foreign Trade Policy 2009-2014 and 2015-2020 wherever applicable.

(b) The Company has received an order from the Commissioner of Service Tax, Bengaluru demanding Service Tax of Rs 57.94 on difference between income declared in Income tax return for 2003-04 vs Service tax return for the same period. As per the order of the Commissioner of Service Tax, Company is also liable to pay penalty of Rs. 57.94 plus interest thereon on the tax and penalty amount. The Company is a 100% EOU and export of services are exempted from payment of Service tax. The Company has filed an appeal against the Order of the Department to the Customs, Excise and Service Tax Tribunal after paying a tax of Rs 4.35 under protest.

(c) The Company has received an order from the Deputy Commissioner of Income Tax, Bangalore demanding income tax of Rs 118 on income pertaining to the assessment year 2013-14 due to non-deduction of withholding taxes on certain foreign payments. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) after paying a tax of Rs 17.82 under protest.

(d) The Company has received an order from the Office of the Income Tax Officer, Ward 1(1)(2), Bangalore demanding income tax of Rs 439 on income pertaining to the assessment year 2014-15 due to non-deduction of withholding taxes on certain foreign payments. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) after paying a tax of Rs 65.90 under protest.

(e) The Company has received order from Deputy Commissioner of Income Tax, Circle 1, Bangalore demanding income tax of Rs 143 on income pertaining to the assessment year 2015-16 due to non-deduction of withholding taxes on certain foreign payments and disallowance of certain patent filing expenses. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) after paying a tax of Rs 28.60 under protest.

(f) The Company has received order from the Office of the Assistant Commissioner of Income Tax, Circle 1(1)(1), Bangalore demanding income tax of Rs 273 on income pertaining to the assessment year 2016-17 due to non-deduction of withholding taxes on certain foreign payments and disallowance of certain patent filing expenses. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) after paying a tax of Rs 53 under protest.

(g) The Company has received order from the Office of the Assistant Commissioner of Income Tax, Circle 1(1)(1), Bangalore demanding income tax of Rs 140 on income pertaining to the assessment year 2017-18 due to non-deduction of withholding taxes on certain foreign payments and disallowance of certain patent filing expenses. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) against the tax refund receivable from department of Rs. 29 under protest.

24) Capital commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for is Rs. 1723 (March 31, 2019: Rs. 20).

25) Operating lease

The Company has leased office and guest house facilities under cancellable lease agreements for period of 11 months. These leases can be renewed on mutual agreement between the lessor and lessee at the end of the lease term. The total rental expenses debited to the statement of profit and loss is Rs. 200 (March 31, 2019: Rs. 168)

The Company (lessor) has entered into a deed of lease with Dr.Reddy’s Laboratories Limited for one of its premises for lease term of 5 years. The lease may be renewed for further period of 5 years by entering into a fresh lease deed. There is no escalation clause in the lease agreement and sub-letting is not permitted. Total lease rental received by the Company during the year amounts to Rs 124 (Previous year: Rs 124). The carrying amount of the building given on operating lease and depreciation thereon for the period are:

Particulars	March 31, 2020	March 31, 2019
Gross carrying amount	735	735
Accumulative depreciation	(157)	(132)
Net carrying amount	578	603
Depreciation for the year ended	24	24

26) Segment information

The main business activity of the Company is to undertake research services relating to drug discovery for its customers, long term collaboration with customers for drug discovery and out-licensing inhouse intellectual property rights. The Board of Directors reviews the results when making decisions about allocating resources and assessing performance of the Company as a whole, hence the Company has only one reportable segment.

a) Revenue from external customers based on nature of services

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Research services	11,547	9,079
Discovery and collaboration	7,896	5,896
Licensing	8,562	6,146
	28,005	21,121

b) Revenue amounting to 10 percent or more of total revenue from single customers

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Research services	6,362	5,731
Discovery and collaboration	3,171	2,126
Licensing	7,864	6,146
	17,397	14,003

c) Revenue from external customers based on geography

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Revenue from customers in India	1,261	577
	1,261	577
Revenue from customers outside India:		
United States of America	23,842	16,263
Finland	1,178	2,126
Japan	622	539
Germany	582	666
Others	520	950
	26,744	20,545
	28,005	21,122

The revenue information above is based on the locations of the customers.

27) Investment in unquoted mutual fund (refer note 4)

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Cost	21,378	7,988
Gain/ (Loss) recognised directly in statement of profit and loss	(43)	245
Fair Value	21,335	8,233

Details of such mutual funds and their fair values are as follows:

Particulars	As at		As at	
	March 31, 2020		March 31, 2019	
	No of units	Amount	No of units	Amount
Birla Sun Life Savings Fund - Direct Plan - Growth	-	-	1,478,408	5,496
IDFC Ultra Short Term Fund - Direct Plan - Growth	883,642	101	720,333	193
L&T Ultra Short Term Fund - Direct Plan - Growth	-	-	632,559	197
Axis Liquid Fund - Direct Growth	159,009	3,505	-	-
IDFC Cash Fund-DP-Growth	175,676	4,219	-	-
ICICI Prudential Liquid Fund - Direct Plan Growth	2,779,370	8,165	-	-
Kotak Liquid Direct Growth Plan	24,204	972	-	-
HDFC Liquid Fund - Direct Growth - Option Plan	111,926	4,373	-	-
Reliance Money Market Fund - Direct Plan - Growth	-	-	82,686	2,347
	4,133,827	21,335	2,913,986	8,233

28) Net Employee defined benefit liabilities

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of completed service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at the time of separation.

The Company has a defined benefit gratuity plan for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure at 15 days of last drawn salary for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

a) Details of the employee benefits obligations and plan assets:

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Present value of defined benefits obligation	(1,033)	(985)
Fair value of plan asset	957	845
Net liability	(76)	(140)

b) Details of gratuity cost charged to statement of profit and loss:

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Current service cost	117	109
Other Cost	4	-
Net interest on net defined benefit liability/ (asset)	7	8
	128	117

c) Details of remeasurement (gains)/ losses in other comprehensive income:

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Due to changes in financial assumptions	(27)	24
Due to changes in demographic assumptions	(9)	28
Due to experience adjustments	(10)	(13)
Due to actual return on plan assets less interest on plan assets	(6)	1
Net remeasurement of net defined benefit liability/ (asset)	(52)	40

d) Change in the present value of the defined benefit obligation:

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Defined benefit obligation as at the beginning of the year	987	817
Current service cost	117	109
Interest on defined benefit obligation	68	58
Remeasurement gains/ (losses) in other comprehensive income		
Due to changes in financial assumptions	(27)	24
Due to changes in demographic assumptions	(9)	28
Due to experience adjustments	(10)	(13)
Benefits paid	(93)	(36)
Defined benefit obligation as at the end of the year	1,033	987

e) Change in the fair value of the plan assets:

Particulars	For the year ended	For the year ended
	March 31, 2020	March 31, 2019
Fair value of plan assets as at the beginning of the year	845	636
Employer Contribution	138	198
Interest on plan assets	61	48
Remeasurement gains/ (losses) in other comprehensive income		
Due to actual returns on plan assets less interest on plan assets	6	(1)
Benefits paid	(93)	(36)
Fair value of plan assets as at the end of the year	957	845

f) The principal assumptions used in determining gratuity obligations:

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Discount rate	6.45%	7.40%
Expected rate of return on plan assets **	6.45%	7.40%
Salary escalation rate	8.70%	10.00%
Mortality rate	Indian Assured Lives Mortality (2012-14) (modified) Ult Table*	
Withdrawal rate:		
Up to age 21	0%	0%
Between age 22 to 30	28%	27%
Between age 31 to 40	10%	12%
Between age 41 to 50	8%	7%
Between age 51 to 57	15%	11%

* As published by IRDA and adopted as Standard Mortality Table as recommended by Institute of Actuaries of India effective April 1, 2013.

** The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

g) Quantitative sensitivity analysis for significant assumption:

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Defined benefit obligation without effect of projected salary growth	577	499
Add: Effect of salary growth	456	488
Defined benefit obligation with projected salary growth	1,033	987
Defined benefit obligation, using discount rate minus 50 basis points	1,075	1,029
Defined benefit obligation, using discount rate plus 50 basis points	994	947
Defined benefit obligation, using salary growth rate minus 50 basis points	995	948
Defined benefit obligation, using salary growth rate plus 50 basis points	1,074	1,027

h) Expected future cash flows in respect of gratuity in future years:

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Within the next 12 months (next annual reporting period)	142	130
Between 2 and 5 years	329	307
Between 6 and 9 years	346	325
Beyond 9 years	1,058	1,300

29) Provident fund

Certain categories of employees of the Company receive benefits from a provident fund, a defined contribution plan. Both the employee and employer each make monthly contributions to a government administered fund at specified rate on the covered employee's qualifying salary. Monthly contribution made by the Company are recognised as expense in the statement of profit and loss. The Company has no further obligations under the plan beyond its monthly contributions. Details of contribution made by the Company to the provident fund are as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Contribution made during the year		
Provident Fund	303	275
NPS Contribution	16	19
	<u>319</u>	<u>294</u>

30) Compensated absences

The Company provides for accumulation of compensated absences for its employees. These employees can carry forward a portion of the unutilized compensated absences and utilise it in future periods or receive cash in lieu thereof as per the Company's policy. The Company records a liability for compensated absences in the period in which the employee renders the services that increases this entitlement. Details of total liability recorded by the Company towards this obligation is as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for compensated absences - current	261	247
	<u>261</u>	<u>247</u>

31) Earnings per share (EPS)

The following reflects the profit/(loss) and details of share data used in computation of basic and diluted EPS:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Net profit after tax as per statement of profit and loss	9,114	4,605
Weighted average number of equity shares used in calculating basic and diluted EPS (nos.)	90,544,104	90,544,104
Basic/dilutive earnings per share (amount in Rs)	<u>10.07</u>	<u>5.09</u>

32) Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

The Official Memorandum dated 26 August 2008, prescribes that Micro and Small Enterprises should mention in their correspondence with their customer the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Based on the information available with the Company, there is a due of Rs. 5.06 (previous year: nil) to enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under the Micro Small and Medium Enterprises Development Act, 2006 ('MSMED').

33) Income taxes

a) Income tax expense/ (benefit) for the year

Income tax expense/ (benefit) recognized in the income statement consists of the following:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current tax	3,080	1,769
Adjustment of current tax relating to earlier periods	17	31
	3,097	1,800
Deferred tax	(43)	95
Income tax expense	<u>3,054</u>	<u>1,895</u>

b) Income tax expense/ (benefit) recognized directly in equity

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Tax effect on actuarial gains on defined benefit obligations	(0)	4
Tax effect on changes in fair value of other investments	-	4,115
	<u>(0)</u>	<u>4,119</u>

c) Reconciliation of effective tax rate

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before income taxes	12,168	6,501
Enacted tax rate in India	25.17%	29.12%
Computed expected tax expense	3,062	1,893
Effect of:		
Deferred tax	(43)	(5)
Expenses/ income not deductible for tax purposes, net	10	(25)
Adjustment of tax relating to earlier periods	17	31
Other adjustments	8	1
Income tax expenses	3,054	1,895

d) Details of deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred tax assets		
Fixed assets	99	62
Compensated absences	-	23
Accrued compensation	15	24
	<u>114</u>	<u>109</u>
Deferred tax liabilities		
Fair value gain on financial instruments at fair value through profit or loss	(160)	(198)
	<u>(160)</u>	<u>(198)</u>
Net deferred tax asset/ (liability)	<u>(46)</u>	<u>(89)</u>

In assessing whether the deferred income tax assets will be realized, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences. Recoverability of deferred tax assets is based on estimates of future taxable income. Any changes in such future taxable income would impact the recoverability of deferred tax assets.

e) Movement in deferred tax assets and liabilities

For the year ended March 31, 2020

Particulars	As at March 31, 2019	Recognized in profit and loss	Recognized in equity	As at March 31, 2020
Deferred tax assets				
Fixed assets	62	37	-	99
Compensated absences	23	(23)	-	-
Accrued compensation	24	(9)	-	15
	<u>109</u>	<u>5</u>	<u>-</u>	<u>114</u>
Deferred tax liabilities				
Fair value gain on financial instruments at FVTPL	(198)	38	-	(160)
	<u>(198)</u>	<u>38</u>	<u>-</u>	<u>(160)</u>
Net deferred tax asset/ (liability)	<u>(89)</u>	<u>43</u>	<u>-</u>	<u>(46)</u>

For the year ended March 31, 2019

Particulars	As at March 31, 2018	Recognized in profit and loss	Recognized in equity	As at March 31, 2019
Deferred tax assets				
Fixed assets	94	(32)	-	62
Compensated absences	18	5	-	23
Accrued compensation	20	4	-	24
Net employee defined benefit liabilities	4	-	(4)	-
	136	(23)	(4)	109
Deferred tax liabilities				
Changes in fair valuation of investments	4,115	-	(4,115)	-
Fair value gain on financial instruments at FVTPL	(126)	(72)	-	(198)
	3,989	(72)	(4,115)	(198)
Net deferred tax asset/ (liability)	4,125	(95)	(4,119)	(89)

34) Collaboration agreement with Curis, Inc.

On January 18, 2015, Aurigene Discovery Technologies Limited (“Aurigene”) entered into a Collaboration, License and Option Agreement (the “Collaboration Agreement”) with Curis, Inc. (“Curis”) to discover, develop and commercialize small molecule antagonists for immuno-oncology and precision oncology targets.

Under the Collaboration Agreement, Aurigene has the responsibility for conducting all discovery and preclinical activities, including Investigational New Drug (“IND”) enabling studies and providing Phase 1 clinical trial supply, and Curis is responsible for all clinical development, regulatory and commercialization efforts worldwide, excluding India and Russia. The Collaboration Agreement provides that the parties will collaborate exclusively in immuno-oncology for an initial period of approximately two years, with the option for Curis to extend the broad immuno-oncology exclusivity.

As partial consideration for the collaboration, pursuant to a Stock Purchase Agreement dated January 18, 2015, Curis issued to Aurigene 171.20 lacs shares of its common stock, representing 19.9% of its outstanding common stock immediately prior to the transaction (approximately 16.6% of its outstanding common stock immediately after the transaction). The shares issued to Aurigene are subject to a lock-up agreement until January 18, 2017, with the shares being released from such lock-up in 25% increments on each of July 18, 2015, January 18, 2016, July 18, 2016 and January 18, 2017, subject to acceleration of release of all the shares in connection with a change of control of Curis. As of March 31, 2019, lock-up restrictions were released on all of the 171.20 lacs shares of Curis common stock. In connection with the issuance of such shares, Curis and Aurigene entered into a Registration Rights Agreement dated January 18, 2015 which provides for certain registration rights with respect to resale of the shares. The common stock of Curis is listed for quotation on the NASDAQ Global Market.

The fair value of the shares of Curis common stock on the date of the Stock Purchase Agreement was Rs.14,517 (\$23.5 million).

Revenues under the Collaboration Agreement consist of upfront consideration (including the shares of Curis common stock) and the development and commercial milestone payments described below, which are deferred and recognized as revenue over the period for which Aurigene has continuing performance obligations.

Under the Collaboration Agreement, Aurigene is entitled to development and commercial milestone payments as follows:

- for the first two programs: up to U.S.\$52.5 million per program, including U.S.\$42.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any;
- for the third and fourth programs: up to U.S.\$50 million per program, including U.S.\$42.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any; and
- for any program thereafter: up to U.S.\$140.5 million per program, including U.S.\$87.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any.

In addition, Curis has agreed to pay Aurigene royalties, ranging between high single digits to 10%, on its net sales in territories where it commercializes products. Furthermore, Aurigene is entitled to receive a share of Curis’ revenues from sublicenses, which share varies based upon specified factors such as the sublicensed territory, whether the sublicense revenue is royalty based or non-royalty based and, in some cases, the stage of the applicable molecule and product at the time the sublicense is granted.

On September 7, 2016, the Collaboration Agreement was amended to provide for the issuance to Aurigene of approximately 102 lacs shares of Curis common stock in lieu of receiving up to U.S.\$24.5 million of milestone and other payments from Curis that could have become due under the Collaboration Agreement. These shares of Curis common stock are recorded at U.S.\$1.84 per share, which is equal to the market price of such shares of common stock on the date of issuance, amounting to an aggregate market value of Rs. 12,468 (\$18.8 million).

These additional shares are also subject to a lock-up agreement which is similar to the lock-up for the original Curis shares the Company received. However, this lock-up remains effective until September 7, 2018, with shares being released from such lock-up in 25% increments on each of March 7, 2017, September 7, 2017, March 7, 2018 and September 7, 2018, subject to acceleration of release of all the shares in connection with a change of control of Curis. As of March 31, 2019, lock-up restrictions were released on all of the 102 lacs shares of Curis common stock.

The Company has evaluated the transaction under Ind AS 28, “Investments in associates and Joint Ventures,” and believes that the Company does not have any significant influence with respect to Curis. The Company, has irrevocably elected to recognise the fair value changes in the statement of other comprehensive income. Accordingly, such investments are recognised as FVTOCI investments.

On May 29, 2018, Curis Inc had announced and made effective the reverse stock split of 1-5 shares thereby total no of share stand to 54,65,693 from 2,73,28,464

Management & auditors of one of the major customers of the Company, Curis Inc, USA, have expressed substantial doubt on the going concern assumption in the latest available audited financial statement. The management of Curis has drawn up a plan to raise additional funding to continue the operations. The Company has not received any intimation to terminate the research under the existing contracts with Curis. Accordingly the Company continues to perform the obligations under the contract and recognize the revenue.

Consequently, loss of Rs (4,611) (previous year: Rs (4,114)) arising from changes in the fair value of such shares of common stock was recorded in other comprehensive income.

35) Collaboration agreement with Exelixis, Inc.

Aurigene Discovery Technologies Limited ("Aurigene") has entered into an exclusive collaboration, option and license agreement (the "Collaboration Agreement") with Exelixis, Inc ("Exelixis") which is an oncology-focused biotechnology company that strives to accelerate the discovery, development and commercialization of new medicines for difficult-to-treat cancers. Under the Collaboration agreement Aurigene has the responsibility of making availability to in-license as many as six programs to Exelixis.

Under the terms of the Collaboration agreement, Aurigene will get an upfront payment of \$10 million for exclusive options to license three preexisting programs from Exelixis. Also, Aurigene and Exelixis will initiate three Aurigene-led drug discovery programs on mutually agreed upon targets, in exchange for additional option payments of \$2.5 million per program. Aurigene will also get contributed for research funding from Exelixis to facilitate discovery and preclinical development work on all six programs.

As the programs mature, Exelixis will have the opportunity to exercise an exclusive option for each program up until the time of Investigational New Drug (IND) acceptance. If Exelixis decides to exercise an option, it will make an option exercise payment to Aurigene and assume responsibility for that program's future clinical development and commercialization including global manufacturing. Aurigene will be eligible for clinical development, regulatory, and sales milestones, as well as royalties on sales. Under the terms of the collaboration agreement, Aurigene retains limited development and commercial rights for India and Russia.

The company has recognised an amount of Rs. 6,280 as revenue during the year and recorded an amount of Rs. 10,886 as Deferred revenue as at 31st March 2020.

36) Related party disclosures

Names of related parties and related party relationship

(a) Related parties where control exists

Holding company	:	Dr. Reddy's Laboratories Limited, Hyderabad
Wholly owned subsidiary ('WOS')	:	Aurigene Discovery Technologies Inc., U.S.A Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia Aurigene Pharmaceutical Services Limited, Bangalore

(b) Related parties under IND AS 24 with whom transactions have taken place during the year

Holding company	:	Dr. Reddy's Laboratories Limited, Hyderabad
Wholly owned subsidiary ('WOS')	:	Aurigene Discovery Technologies Inc., U.S.A Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia Aurigene Pharmaceutical Services Limited, Bangalore
Fellow subsidiaries	:	Promius Pharma LLC
Enterprise controlled by relative of Director	:	Green Park Hospitality Services Private Limited
Key management personnel	:	Mr. Muralidhara Ramachandra – Chief Executive Officer (w.e.f 1st Jul 2019) Mr. Brijesh Kumar Karnani – Chief Financial Officer (w.e.f 27th Mar 2020) Mr. CSN Murthy – Chief Executive Officer (Resigned w.e.f 30th Jun 2019) Mr. Ashish Lath – Chief Financial Officer (Resigned w.e.f 26th Mar 2020)
Independent Directors	:	Dr. Bruce L. A. Carter Mr. Hariharnath Buggana
Non-Executive Director	:	Mr. Julius Jhon Sheldon Knowles (Resigned w.e.f 15th May 2019)

c) Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Name	Nature of transactions	For the year ended March 31, 2020	For the year ended March 31, 2019
Dr. Reddy's Laboratories Limited	Revenue from operations	197	543
Dr. Reddy's Laboratories Limited	Rental income	124	124
Dr. Reddy's Laboratories Limited	Rental expenses	186	138
Dr. Reddy's Laboratories Limited	Reimbursement of expenses received	105	91
Dr. Reddy's Laboratories Limited	Reimbursement of expenses paid	339	388
Aurigene Discovery Technologies (M) Sdn Bhd	Laboratory consumables	258	265
Green Park Hospitality Services Private Limited	Staff welfare expenses	22	20
Aurigene Pharmaceutical Services Limited	Investment in Subsidiary	5	-
Aurigene Pharmaceutical Services Limited	Reimbursement of incorporation expenses	53	-
Dr. Reddy Foundation	CSR Donation	54	-

d) Balances outstanding as at year end

Name	Nature of transactions	As at March 31, 2020	As at March 31, 2019
Dr. Reddy's Laboratories Limited	Trade payables	165	156
Aurigene Discovery Technologies (M) Sdn Bhd	Trade payables	69	61
Dr. Reddy's Laboratories Limited	Trade receivables	53	32
Dr. Reddy's Laboratories Limited	Other financial assets - due from related parties	26	24
Aurigene Discovery Technologies Inc., U.S.A.	Investment in associates and joint ventures	2,465	2,465
Aurigene Discovery Technologies (M) Sdn Bhd	Investment in associates and joint ventures	156	156
Aurigene Discovery Technologies Inc.	Provision for diminution in value of investment in subsidiaries	2,465	2,465
Aurigene Pharmaceutical Services Limited	Investment in associates and joint ventures	5	-
Aurigene Pharmaceutical Services Limited	Reimbursement of incorporation expenses - receivable	53	-
Dr. Reddy's Laboratories Limited	Other receivables - non-current	17	17
Green Park Hospitality Services Private Limited	Trade payables	3	1

e) 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 and reimbursement of expenses to/ from related parties is at actual cost. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2019: Nil).

f) Compensation of key management personnel of the Company

The following table describes the components of compensation paid or payable to key management personnel:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus (including compensated absences)	595	263
Contribution to defined contribution plan	10	10
	<u>605</u>	<u>273</u>

Some of the key management personnel of the Company are also covered under the Company's Gratuity Plan along with the other employees of the Company. Proportionate amounts of gratuity accrued under the Company's Gratuity Plan have not been separately computed or included in the above disclosure.

g) Remuneration to Independent Directors

The following table describes the remuneration paid or payable to the Independent Directors:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Remuneration for the year ended	10	20
	<u>10</u>	<u>20</u>

37) Standalone financial statement

The Company has used the exemption available to companies under Companies Act, 2013 and IndAS from preparing consolidated financial statements if certain criteria are met.

a) Details of holding company

Below is the details of the holding company whose consolidated financial statements comply with IndAS:

Holding company : Dr. Reddy's Laboratories Ltd., Hyderabad
 Principal place of business of the holding company : 8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034, India

The consolidated financial statement of the holding company prepared as per IndAS are obtainable from the above address.

b) Details of subsidiaries

Name	Principal place of business	% of ownership interest and voting	
		March 31, 2020	March 31, 2019
Aurigene Discovery Technologies Inc.	107 College Road E, Princeton, NJ 08540-6623,	100%	100%
Aurigene Discovery Technologies (M) Sdn Bhd	Level 2, Research Management & Innovation Complex, Universiti of Malaya, Lembah Pantai, 50603, Kuala Lumpur, Malaysia	100%	100%
Aurigene Pharmaceutical Services Limited	39-40, KIADB Industrial Area Electronic City Phase II, Hosur Road, Bangalore - 560100	100%	-

38) Capital Management

The primary objective of the companies capital management is to maintain healthy capital ratios in order to support its business and maximise shareholder value. For the purpose of capital management of the company, capital includes issued equity capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the company.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

39) Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

a) 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 investment securities. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Trade and other receivables

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 and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and evaluation of creditworthiness of customers to which the Company grants credit terms in the normal course of business.

The Company determines concentrations of credit risk by monitoring the economic and industry profile of its trade receivables on an ongoing basis. The credit concentration risk profile of the Company's trade receivables at the end of the reporting period is as follows:

Particulars	As at	As at
	March 31, 2020	March 31, 2019
No of customers owing the company more than Rs. 100 lacs	11	6
Total receivables from each such customers	4,714	2,257
% of total trade receivables	93%	82%

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses (apart from the losses/provisions already recognised in the financial statements) from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific country risks.

Financial assets that are past due but not impaired

An impairment analysis is performed at each reporting date on an individual basis for all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

There is no other class of financial assets that is past due but not impaired except for trade receivables. The Company's credit period generally ranges from 30-60 days. The aging analysis of the receivables has been considered from the date the invoice falls due. The age wise break up of receivables, net of allowances that are past due, is given below.

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Past due 0 – 30 days	306	255
Past due 31 – 60 days	38	13
Past due 61 – 90 days	181	-
Past due over 90 days	6	-
Total - past due but not impaired	531	268

Other than trade and other receivables, the Company has no significant class of financial assets that is past due but not impaired.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

Analysis of working capital:

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Total current assets	29,074	13,144
Total current liabilities	(14,699)	(7,477)
	14,375	5,667

The table below summarises the maturity profile of Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

As at March 31, 2020

	One year or less	One to five years	Over five years	Total
Trade payables	1,187	-	-	1,187
Other payables	645	-	-	645
Total undiscounted financial liabilities	1,832	-	-	1,832

As at March 31, 2019

	One year or less	One to five years	Over five years	Total
Trade payables	1,079	99	-	1,178
Other payables	130	-	-	130
Total undiscounted financial liabilities	1,209	99	-	1,308

c) Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing, revenue generating and operating activities in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their investment in fixed interest term deposits with banks and investments in units of mutual funds. The Company does not hedge its investments.

Foreign currency risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, Company's revenues measured in Indian rupees may decrease. The Company does not use derivative financial instruments, such as foreign exchange forward contracts, option contracts and currency swap contracts to mitigate the risk of changes in foreign currency.

The following table analyses foreign currency risk from non-derivative financial instruments as at March 31, 2020:

Particulars	(Amount in Rupees in lacs)			
	US Dollars	Euro	GBP	Others *
<i>Non-derivative financials assets:</i>				
Cash and cash equivalents	406	0	-	-
Trade receivables	4,964	57	-	-
Investments	2,911	-	-	-
	8,281	57	-	-
<i>Non-derivative financials liabilities:</i>				
Trade payables	242	-	3	69
Other payables	419	3	-	-
	661	3	3	69

The following table analyses foreign currency risk from non-derivative financial instruments as at March 31, 2019:

Particulars	(Amount in Rupees in lacs)			
	US Dollars	Euro	GBP	Others *
<i>Non-derivative financials assets:</i>				
Cash and cash equivalents	61	9	-	-
Trade receivables	2,623	70	-	-
Investments	7,522	-	-	-
	10,206	79	-	-
<i>Non-derivative financials liabilities:</i>				
Trade payables	220	1	4	190
Other payables	65	5	-	-
	285	6	4	190

* Others include currencies such as Canadian Dollars, Malaysian Ringgits, Swiss Franc etc.

As at March 31, 2020 and March 31, 2019, 10% increase or decrease in the exchange rate of Indian rupee with USD, EURO, GBP and others would result in approximately Rs. 760 and Rs. 980 increase or decrease, respectively in the fair value of the Company's net foreign currency monetary items.

40) Fair valuation

Set out below, is a comparison by class of the carrying amounts and fair value of the company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying value		Fair value	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Financial assets				
Other financial assets	167	420	167	420
Investment in subsidiaries	161	156	161	156
Total	328	576	328	576

The management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of FVTOCI financial assets are derived from quoted market prices in active markets.
- The fair values of FVTPL financial assets are derived from closing Net Asset Values (NAV) of the fund.

41) Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis:

Particulars	As at	Level 1	Level 2	Level 3	Total
FVTOCI - Financial asset - Equity securities	March 31, 2020	2,911	-	-	2,911
FVTPL - Financial asset - Mutual funds	March 31, 2020	21,335	-	-	21,335
		24,246	-	-	24,246
FVTOCI - Financial asset - Equity securities	March 31, 2019	7,522	-	-	7,522
FVTPL - Financial asset - Mutual funds	March 31, 2019	8,233	-	-	8,233
		15,755	-	-	15,755

42) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 2.22 - Financial instruments;

Notes 2.11 - Useful lives of property, plant and equipment;

Note 2.16 - Assets and obligations relating to employee benefits;

Note 2.17 - Provisions;

Note 2.8 - Evaluation of recoverability of deferred tax assets; and

Note 2.6 - Revenue from contracts with customers

43) Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

Property, plant and equipment, if acquired in a business combination or through an exchange of non-monetary assets, is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

(ii) Investments in equity instruments

The fair value of marketable equity securities is determined by reference to their quoted market price at the reporting date.

(iii) Investments in units of mutual funds

In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors.

Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

44) Restructuring of Business

The Board of directors, in their meeting held on 8 July 2019 approved the plan for restructuring of the company's business that involves setting up a wholly owned subsidiary and transferring the "PHARMACEUTICAL SERVICES DIVISION" along with all tangible and intangible assets, including lab equipment, contracts, permission, consents, rights, registrations, personnel & employees, other assets & liabilities on a slump sale basis for a consideration to be determined at the transfer date. As at 31 March 2020, the transfer of business is yet to be completed. Hence, the Company did not derecognize any asset or liability associated with the said transfer. Accordingly, no further disclosures were made in this regard.

45) Covid-19 Impact Assessment

On 24 March 2020, the Government of India ordered a nationwide lockdown, limiting movement of population of India as a preventive measure against the COVID-19 pandemic in India. As a result most of the businesses are dealing with lost revenue and disrupted supply chains. The management has assessed the impact of the ongoing lockdown on the operations and sustainability of the Company. Given the nature of the industry in which the Company operates, the outbreak of the pandemic did not significantly impact the financial results or the performance of the Company for the year ended March 31, 2020. As the outbreak continues to evolve, it is difficult, at this juncture, to estimate the full extent and duration of the business and economic impact. The Company will continue to assess the situation and the associated impact on its financial statements.

46) Events after the reporting date

There are no significant events after the reporting date.

As per our report of even date

For S.R. Batliboi & Associates LLP

Chartered Accountants

Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of

Aurigene Discovery Technologies Limited

Rajeev Kumar

Partner

Membership no.: 213803

Place: Bangalore

Date : May 11, 2020

G.V. Prasad

Director

Place: Hyderabad

Date : May 11, 2020

Satish Reddy

Director

Place: Hyderabad

Date : May 11, 2020

Muralidhara Ramachandra

Chief Executive Officer

Place: Bangalore

Date : May 11, 2020

Brijesh Kumar Karnani

Chief Financial Officer

Place: Hyderabad

Date : May 11, 2020

Sudipta V

Company Secretary

Place: Hyderabad

Date : May 11, 2020