

INDEPENDENT AUDITOR'S REPORT

To the Members of Alivira Animal Health Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of Alivira Animal Health 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 standalone 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 standalone 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 standalone 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 standalone 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 standalone Ind AS financial statements.

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

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

Our opinion on the standalone 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 standalone 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.

Responsibilities of Management for the standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone 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 standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 system in place and the operating effectiveness of such controls.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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

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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 standalone Ind AS financial statements, including the disclosures, and whether the standalone 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.

Other Matter

The Standalone Ind AS financial statements of the Company for the year ended March 31, 2019, included in these standalone Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on May 14, 2019

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 standalone 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;

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- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone 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:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003



per **Vikas Kumar Pansari**

Partner

Membership Number: 093649

UDIN: 20093649AAAAAY3826

Place of Signature: Mumbai

Date: May 12, 2020

ANNEXURE 1 REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE

Re: Alivira Animal Health Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets 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.
- (iii) (a) The Company has granted loan to party covered in the register maintained under section 189 of the Companies Act, 2013. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loan is not prejudicial to the company's interest.

(b) As explained to us, the above loans and interest thereon, are re-payable on demand. We are informed that the loan and interest thereon were repaid as and when demanded by the Company. Hence, there has been no default on the part of the party to whom the money has been lent.

(c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Companies Act, 2013 which are overdue for more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a company in which the Director is interested to which provisions of section 185 of the Companies Act, 2013 apply and hence not commented upon. As explained to us, the Company has complied with the provisions of section 186 of the Companies Act 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (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) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the Animal Health products, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

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(vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, good 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 except as below:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
Provident Fund Act	Provident fund	48,883	April-19 to Sep-19	May 15, 2019 to October 15, 2019	Payment Yet to be made
Employees State Insurance Act, 1948	ESIC	193,798	April-19 to Sep-19	May 15, 2019 to October 15, 2019	

(c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty, excise duty, value added tax, goods and service tax and cess which have not been deposited on account of any dispute.

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a bank and financial institution. The Company did not have any outstanding dues in respect of government or debentures during the year.
- (ix) In our opinion and according to information and explanations given by the management, monies raised by the company by way of term loans were applied for the purpose for which they were raised. Further, 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.
- (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 mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (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.

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- (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 hence 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 B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003



per **Vikas Kumar Pansari**

Partner

Membership Number: 093649

UDIN: 20093649AAAAAY3826

Place of Signature: Mumbai

Date: May 12, 2020

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF ALIVIRA ANIMAL HEALTH 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 Alivira Animal Health Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the Standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal 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 Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Standalone 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 Companies Act, 2013, 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 Standalone Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these Standalone 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 Standalone 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 Standalone Ind AS financial statements.

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Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these Standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these Standalone Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

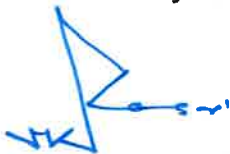
Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these Standalone Ind AS financial statements and such internal financial controls over financial reporting with reference to these Standalone 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 B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003



per **Vikas Kumar Pansari**

Partner

Membership Number: 093649

UDIN: 20093649AAAAAY3826

Place of Signature: Mumbai

Date: May 12, 2020

Altira Animal Health Limited
Balance Sheet as at 31 March 2020
All amounts are in Rs. million unless otherwise stated

	Notes	As at 31 March 2020	As at 31 March 2019
A. ASSETS			
1 Non-current assets			
(a) Property, plant and equipment	3	1,558.47	1,123.11
(b) Capital work-in-progress	3	8.64	3.77
(c) Goodwill	4	68.89	68.89
(d) Other intangible assets	5	64.50	187.81
(e) Intangible assets under development	5	-	10.00
(f) Financial assets			
(i) Investments in subsidiary	6	2,893.31	2,893.31
(ii) Loans	7	306.80	763.17
(iii) Other financial assets	8	704.12	19.84
(g) Deferred tax assets (net)	9	83.60	23.35
(h) Other non-current assets	10	8.38	413.14
Total non-current assets		5,696.71	5,506.39
2 Current assets			
(a) Inventories	11	461.03	522.23
(b) Financial assets			
(i) Investments	12	151.33	-
(ii) Trade receivables	13	1,005.97	1,058.97
(iii) Cash and cash equivalents	14	109.93	24.61
(iv) Bank balances other than (iii) above	15	68.33	29.73
(v) Other financial assets	16	71.24	19.11
(c) Other current assets	17	153.52	184.01
Total current assets		2,021.45	1,838.66
Total assets		7,718.16	7,345.05
B. EQUITY AND LIABILITIES			
I Equity			
(a) Equity share capital	18	477.76	477.76
(b) Other equity	19	4,169.79	3,807.02
Total equity		4,647.55	4,284.78
II Liabilities			
1 Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	20	1,487.05	1,577.76
(ii) Other financial liabilities	21	123.15	-
(b) Provisions	22	52.34	49.96
(c) Other non-current liabilities	23	1.20	8.18
Total non-current liabilities		1,663.74	1,635.90
2 Current liabilities			
(a) Financial liabilities			
(i) Borrowings	24	489.45	561.67
(ii) Trade payables			
Total outstanding dues of micro enterprises and small enterprises	25	11.90	0.87
Total outstanding dues of creditors other than micro enterprises and small enterprises	25	489.42	551.56
(iii) Other financial liabilities	26	329.05	264.66
(c) Provisions	27	5.52	5.48
(c) Current tax liabilities (net)	28	30.03	4.67
(d) Other current liabilities	29	51.50	35.46
Total current liabilities		1,406.87	1,424.37
Total liabilities		3,070.61	3,060.27
Total equity and liabilities		7,718.16	7,345.05

The accompanying notes are integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI firm registration number- 324382E / E300003

Per Vikas Kumar (Partner)
Partner
Membership No: 095843

Mumbai, 12 May 2020

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Manish
Manish Gupta
Managing Director &
Chief Executive Officer
DIN:06801205

Linley
Tushar Mishra
Chief Financial Officer

Sharat
Sharat Narayan
Joint Managing Director
Director
DIN:02808551

Pankaj
Pankaj Ochari
Company Secretary
Membership No:51804



Alivira Animal Health Limited

Statement of Profit and loss for the nine months ended 31 March 2020

All amounts are in Rs. million unless otherwise stated except for earnings per share information

	Notes	Year ended 31 March 2020	Year ended 31 March 2019
1 Revenue from operations	30	3,909.12	3,573.57
2 Other income	31	128.00	38.80
3 Total income (1+2)		4,037.12	3,612.37
4 Expenses			
(a) Cost of materials consumed	32.a	853.29	980.52
(b) Purchases of stock-in-trade	32.b	1,228.59	1,064.27
(c) Changes in inventories of finished goods, stock-in-trade and work-in-progress	32.c	87.36	(130.74)
(d) Employee benefits expense	33	458.93	421.93
(e) Finance costs	34	265.62	283.71
(f) Depreciation and amortisation expenses	5A	289.13	290.70
(g) Other expenses	35	537.28	606.85
Total expenses (4)		3,720.20	3,517.24
5 Profit before tax (3-4)		316.92	95.13
6 Tax expense / (credits)	36		
(1) Current tax		57.15	23.35
(2) Current tax of earlier periods		-	0.01
(3) Deferred tax		(59.82)	(23.35)
Total tax expenses / (credits)		(2.67)	0.01
7 Profit after tax (5-6)		319.59	95.12
8 Other comprehensive income / (expenses)	19		
Items that will not be reclassified to profit or loss			
(a) Re-measurement loss on defined benefit plans		(1.24)	(0.95)
(b) Income tax relating to items that will not be reclassified to profit or loss		0.43	-
Total other comprehensive expenses (net of tax) (8)		(0.81)	(0.95)
9 Total comprehensive income for the year, net of tax (7+8)		318.78	94.17
Earnings per equity share			
(1) Basic (in Rs.)	37	6.69	2.15
(2) Diluted (in Rs.)	37	6.69	2.15

The accompanying notes are integral part of these financial statements

As per our report of even date

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For S R B C & CO LLP
Chartered Accountants
ICAI firm registration number- 324982E / E300003

Per Vikas Kumar Pansari
Partner
Membership No: 093649


Manish Gupta
Managing Director &
Chief Executive Officer
DIN:06805265


Tushar Mistry
Chief Financial Officer


Sharat Narsapur
Joint Managing
Director
DIN:02808651


Pankaj Ochani
Company Secretary
Membership No:51804

Mumbai, 12 May 2020



Alivira Animal Health Limited
Statement of cash flows for the year ended 31 March 2020
All amounts are in Rs. million unless otherwise stated

	As at 31 March 2020	As at 31 March 2019
Cash flow from operating activities		
Net Profit before tax	316.92	95.13
Adjustments for:		
Depreciation and amortisation expenses	289.13	290.70
Bad trade receivables written off	6.08	2.42
Amortisation of financial guarantee obligations	9.00	-
Share based payments to employees	32.17	23.83
Provision for doubtful trade receivables	5.86	8.68
Bad loans and advances written off	-	1.00
Unrealised forex loss / (gain) (net)	(55.58)	23.83
Loss on sale of property, plant and equipment (net)	0.40	-
Finance costs	265.62	283.71
Corporate guarantee commission	(1.43)	(4.30)
Interest income	(54.93)	(27.71)
Operating profit before working capital changes	813.24	697.29
Changes in working capital		
(Increase) / decrease in trade receivables, loans and advances and other assets	17.66	(124.51)
(Increase) / decrease in inventories	61.20	(105.32)
(Increase) / decrease in margin money and other deposits	(52.88)	(10.71)
Increase / (decrease) in trade payables, other payables and provisions	(17.08)	(475.97)
Net change in working capital	8.90	(716.51)
Cash generated from operations	822.14	(19.22)
Income taxes paid (net)	(32.22)	(10.10)
Net cash generated from / (used in) operating activities	789.92	(29.32)
Cash flow from investing activities		
Purchase of property, plant and equipments and intangible assets	(64.31)	(18.34)
Proceeds from disposal of property, plant and equipments	2.64	0.02
Purchase of current investments	(151.33)	-
Loan given to subsidiary company	(110.92)	(1,051.01)
Interest received	4.44	0.96
Net cash generated from / (used in) investing activities	(319.48)	(1,068.37)
Cash flow from financing activities		
Repayment of short-term borrowings (net)	(72.22)	(25.35)
Loan received from parent company (net)	-	909.51
Proceeds from long-term borrowings	145.97	593.73
Repayments of long-term borrowings	(249.56)	(195.85)
Interest and other borrowing costs	(209.31)	(175.66)
Net cash generated from / (used in) from financing activities	(385.12)	1,106.38
Net increase in cash and cash equivalents during the year	85.32	8.69
Cash and cash equivalents at the beginning of the year (refer note 14)	24.61	15.92
Cash and cash equivalents at the end of the year (refer note 14)	109.93	24.61

Note: The statement of cash flows has been prepared under the indirect method, as set out in Ind AS 7 'Statement of Cash Flows', whereby profit for the year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

The accompanying notes are integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI firm registration number- 324982E / E300003

Per Vikas Kumar Pansari
Partner
Membership No: 093649

Mumbai, 12 May 2020

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Manish
Manish Gupta
Managing Director &
Chief Executive Officer
DIN:06805265

Tushar
Tushar Mistry
Chief Financial Officer

Sharat
Sharat Narsapur
Joint Managing
Director
DIN:02808651

Pankaj
Pankaj Ochani
Company Secretary
Membership No:51804



Allivra Animal Health Limited
Statement of Changes in Equity (SOCIE) for the year ended 31 March 2020
 All amounts are in Rs. million unless otherwise stated

(a) Equity share capital

Balance at the beginning of the year
 Issued during the year
 Balance at the end of the year

(b) Other equity

As at 31 March 2020		As at 31 March 2019	
No. of Shares	Amount	No. of Shares	Amount
47,776,470	477.76	41,406,274	414.05
-	-	6,370,195	53.70
47,776,470	477.76	47,776,470	477.76

	Reserves & Surplus (note 19)					Total
	Securities premium account	Retained earnings	General Reserve	Other reserves	Share options outstanding account	
Balance as at 01 April 2018	2,746.47	(614.47)	-	11.64	56.51	2,200.25
Profit for the year	-	95.12	-	-	-	95.12
Other comprehensive income / (expenses) for the year, net of income tax	-	(0.95)	-	-	-	(0.95)
Total comprehensive income for the year	-	94.17	-	-	-	94.17
Recognition of share-based payments charged by parent Guarantee given by parent company on loans availed	-	-	-	-	23.83	23.83
Premium on shares issued during the year	1,484.26	-	-	4.51	-	4.51
Vested ESOP lapsed during the year	-	-	-	-	(0.46)	(0.46)
Balance as at 31 March 2019	4,230.73	(520.30)	0.46	16.15	79.59	3,807.02
Opening balance as on 01 April 2019	4,230.73	(520.30)	0.46	16.15	79.98	3,807.02
Transition impact of Ind AS 116 Leases (note 2.4(f))	-	2.82	-	-	-	2.82
Restated as at 01 April 2019	4,230.73	(517.48)	0.46	16.15	79.98	3,809.84
Profit for the year	-	319.59	-	-	-	319.59
Other comprehensive income / (expenses) for the year, net of income tax	-	(0.81)	-	-	-	(0.81)
Total comprehensive income for the year	-	318.78	-	-	-	318.78
Recognition of share-based payments charged by parent Guarantee given by parent company on loans availed	-	-	-	-	32.17	32.17
Premium on shares issued during the year	-	-	-	10.55	-	10.55
Vested ESOP lapsed during the year	-	-	-	-	-	-
Fair value of Corporate Guarantee	-	-	51.56	-	(51.56)	-
Balance as at 31 March 2020	4,230.73	(200.25)	52.02	26.70	60.59	4,169.79

The accompanying notes are integral part of these financial statements

As per our report of even date
 For S M B C & CO LLP
 Chartered Accountants
 ICAI firm registration number-324582E / E300003

Per Vikas Kumar Pansari
 Partner
 Membership No: 093649
 Mumbai, 12 May 2020

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Manish
 Manish Gupta
 Managing Director &
 Chief Executive Officer
 DIN:06805265

Shant Narsapur
 Shant Narsapur
 Joint Managing
 Director
 DIN:02009661

Tushar Mistry
 Tushar Mistry
 Chief Financial
 Officer

Pankaj Dohani
 Pankaj Dohani
 Company Secretary
 Membership No:51804



Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

1. CORPORATE INFORMATION

Alivira Animal Health Limited (the “Company”) is a Company incorporated and domiciled in India and has its registered office located at 301, 3rd Floor, Dosti Pinnacle, Plot No. E7 Road No. 22, Wagle Industrial Estate, Thane (W), Maharashtra - 400604, India. The Company is an integrated veterinary APIs and Formulation player.

SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The financial statements have been prepared in accordance with Indian Accounting Standards (“Ind AS”) notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time and presentation requirements of Division II of Schedule III to the Companies Act, 2013.

2.2 Basis of preparation and presentation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

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, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis, except for

- Share based payment transaction as defined in Ind AS 102 – Share based payment.
- Leasing transaction as defined in Ind AS 116 – Leases.
- Measurement that have some similarities to fair value but are not fair value, such as ‘Net Realisable Value’ as defined in Ind AS 2 – Inventories and value in use as defined in Ind AS 36- Impairment of Assets.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

2.3 Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is the Company’s functional currency. All financial information presented in INR has been rounded to the nearest million (up to two decimals).

2.4 Significant Accounting Policies

(i) Revenue recognition

Sale of good

Revenue from sale of products is presented in the income statement within Revenue from operations. The Company presents revenue net of indirect taxes in its statement of profit and loss. Sale of products comprise revenue from sales of products, net of sales returns, rebates, incentives and customer discounts.



Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Relied on its assessment of whether leases are onerous immediately before the date of initial application,
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application,
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 April 2019:

- Right-of-use assets of Rs. 531.03 million were recognised and presented separately in the balance sheet.
- Additional lease liabilities of Rs. 128.06 million were recognised.
- Prepayments of Rs 407.79 million and trade and other payable of Rs 8.18 million related to previous operating leases were derecognised.
- The net effect of these adjustments had been adjusted to retained earnings of Rs 2.82 million.

(iii) Foreign currency transactions and translation

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss in the year in which it arises.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange difference on capital expenditure are not capitalised but charged to the statement of profit and loss.

(iv) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or erection of qualifying assets are added to the cost of those assets, until such time that the assets are substantially ready for their intended use. Qualifying assets are assets which take a substantial period of time to get ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

(v) Employee Benefits

a. Defined Contribution Plans:

The Company has defined contribution plans for post-employment benefits in the form of provident fund which is administered through Government of India. Provident fund is classified as defined contribution plans as the Company has no further obligation beyond making the contributions. The company's contributions to defined contribution plans are charged to the statement of profit and loss as and when employee renders related service.

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Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

Revenue is recognized when it is probable that future economic benefits will flow to the Company and these benefits can be measured reliably. Further, revenue recognition requires that all significant risks and rewards of ownership of the goods included in the transaction have been transferred to the buyer, and that Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Performance obligations are satisfied at one point in time, typically on delivery. Revenue is recognized when the Company transfers control over the product to the customers; control of a product refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, that asset. The majority of revenue earned by the Company is derived from the satisfaction of a single performance obligation for each contract which is the sale of products.

Sales are measured at the fair value of consideration received or receivable. The amounts of rebates / incentives is estimated and accrued on each of the underlying sales transactions recognised. Returns and customer discounts are recognized in the period in which the underlying sales are recognized. The amount of sales returns is calculated on the basis of management's best estimate of the amount of product that will ultimately be returned by customers.

Services

Income from rendering support services are recognised as and when services are rendered, based on contractual terms.

Export entitlements income

Export entitlements from Government authorities are recognised in the statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Interest and dividend income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

(ii) Leases

Ind AS 116 supersedes Ind AS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company adopted Ind AS 116 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Right of Use asset are depreciated on a straight- line basis over the lease term.



Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

b. Defined benefit plans

Payments to defined benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's gratuity scheme is in the nature of defined benefit plan.

The gratuity scheme is partly funded by the Company with Life Insurance Corporation of India.

For defined benefit plans, the cost of providing benefit is determined using projected unit credit method, with actuarial valuation being carried out at the end of each financial year. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to the statement of profit and loss. Past service cost is recognized in the statement of profit and loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement gain / (loss).

The Company presents the service cost of defined benefit plan in the line item 'Employee benefits expense' and the net interest expense or income in the line item 'Finance costs' of the statement of profit and loss. Curtailment gains and losses are accounted for as past service costs. The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Short-term employee benefits

A liability is recognised for short-term employee benefit obligations in respect of wages and salaries, medical and leave travel in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Other employee benefits

Other employee benefits comprise of leave encashment which is provided for, based on the actuarial valuation carried out as at the end of the year. Liabilities recognised in respect of other employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

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Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

income (FVTOCI), equity instruments at FVTOCI and fair value through profit and loss account (FVTPL), non-derivative financial liabilities at amortised cost or FVTPL and derivative financial instruments (under the category of financial assets or financial liabilities) at FVTPL.

The classification of financial instruments depends on the objective of the business model for which it is held. Management determines the classification of its financial instruments at initial recognition.

a) Non-derivative financial assets

(i) Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ('SPPI').

Financial assets are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate ('EIR') method, less any impairment loss.

Financial assets at amortised cost are represented by trade receivables, security deposits, cash and cash equivalents, employee and other advances and eligible current and non-current assets.

(ii) Equity instruments at fair value through other comprehensive income (FVTOCI)

All equity instruments other than investments in subsidiaries are measured at fair value. Equity instruments held for trading is classified as FVTPL. For all other equity instruments, the Company may make an irrevocable election to present subsequent changes in the fair value in OCI. The Company makes such election on an instrument-by-instrument basis.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividend are recognised in OCI. There is no recycling of the amount from OCI to the statement of profit and loss, even on sale of the instrument. However, the Company may transfer the cumulative gain or loss within the equity.

(iii) Financial assets at fair value through profit or loss (FVTPL)

FVTPL is a residual category for financial assets. Any financial asset which does not meet the criteria for categorization as at amortised cost or as FVTOCI, is classified as FVTPL.

In addition, the Company may elect to designate the financial asset, which otherwise meets amortised cost or FVTOCI criteria, as FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets included within the FVTPL category are measured at fair values with all changes in the statement of profit and loss.

(iv) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or the financial assets is transferred and the transfer qualifies for derecognition. On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new assets obtained less any new liability assumed) shall be recognised in the statement of profit and loss except for debt and equity instruments carried through FVTOCI which shall be recognised in OCI.



Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

- (ii) Work in process and Intermediates: At material cost, conversion costs and appropriate share of production overheads based on normal capacity.
- (iii) Finished goods: At material cost, conversion costs and an appropriate share of production overheads based on normal capacity.
- (iv) Stock-in-trade: At purchase and other costs incurred in bringing the inventories to their present location and condition.

However, materials and other items held for use in production of inventory are not written down below cost, if the finished product in which they will be used are expected to be sold at or above cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(x) Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

(xi) 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 and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

All financial instruments are initially measured at fair value. Transaction costs that are attributable to the acquisition or issue of the financial asset and financial liabilities (other than financial assets recorded at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate, on initial recognition. Transaction cost directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit and loss.

Purchase 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 trade) are recognised on trade date.

For the purpose of subsequent measurement, financial instruments of the Company are classified in the following categories: non-derivative financial assets comprising amortised cost, debt instruments at fair value through other comprehensive



Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

b. Internally-generated intangible asset-research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the statement of profit and loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

c. Useful lives of intangible assets

Estimate useful lives of the intangible assets are as follow:

Nature of the Assets	Useful life in years
Marketing rights	5
Intellectual property rights	5
Software	3-5

d. Subsequent costs

Subsequent costs is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated intangibles, are recognised in the statement of profit and loss as incurred.

e. Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the statement of profit and loss.

(ix) Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on First in First out basis (FIFO) as follows:

- (i) Raw materials, packing materials and fuel: At actual purchase cost including other cost incurred in bringing materials / consumables to their present location and condition.

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Alivira Animal Health Limited
Notes to the financial statements for the year-ended 31 March 2020

(vii) Property, plant and equipment

a. Recognition and measurement

Property, plant and equipment are stated at cost, net of recoverable taxes, trade discount and rebates less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for its intended use. 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.

When parts of an item of property, plant and equipment have significant cost in relation to total cost and different useful lives, they are recognized and depreciated separately.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values, using the straight-line method, over the useful lives specified in Schedule II to the Companies Act, 2013 except for the following items, where useful life estimated on technical assessment, past trends and differ from those provided in Schedule II of the Companies Act, 2013.

Nature of the Assets	Useful life in years
Plant and machinery	2-16
Factory building	10-30

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates are accounted for on a prospective basis.

Depreciation on additions / deletions to property, plant and equipments is provided prorata from the month of addition / till the month of deletion.

b. Subsequent costs

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 recognized in the statement of profit and loss as incurred.

c. Derecognition of Property, Plant & Equipment

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

(viii) Intangible assets

a. Intangible assets acquired separately

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis. Cost includes any directly attributable incidental expenses necessary to make the assets ready for use.

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Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

(vi) Taxation

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.

a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Provision for current tax is made at the rate of tax as applicable for the income of the previous year as defined under Income Tax Act, 1961.

Minimum alternate tax ('MAT') paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability. MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and asset can be measured reliably.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Appendix C to Ind AS 12, the Company considered whether it has any uncertain tax positions. The Appendix did not have any significant impact on the financial statements of the Company.

b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised either in other comprehensive income or in equity.

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Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

b) Non-derivative financial liabilities

(i) Financial liabilities at amortised cost

Financial liabilities at amortised cost represented by trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the EIR method.

(ii) Financial liabilities at Fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL are measured at fair value with all changes recognised in the statement of profit and loss.

c) Derivative financial instruments

The Company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in foreign exchange rates on foreign currency assets or liabilities. Derivatives are recognized and measured at fair value. Attributable transaction cost are recognized in the statement of profit and loss.

d) Derecognition of financial Liabilities

The Company derecognises financial liabilities only when the obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in statement of profit and loss.

(xii) Impairment

Financial assets

In accordance with Ind AS 109 – Financial Instruments, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivable.

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.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. Lifetime ECLs are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

(i) All contractual terms of the financial instrument (including prepayment, extension etc.) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument;

(ii) Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income / expense in the statement of profit and loss. This amount is reflected under the head other expenses in the statement of profit and loss. The balance sheet presentation for various financial instruments is described below:



Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

Financial assets measured at amortised cost, contractual revenue receivable:

ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

Non-financial assets

The Company assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If any such impairment exists, the recoverable amount of an asset is estimated to determine extent of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belong.

(xiii) Earnings per share

Basic EPS is computed by dividing the net profit for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted EPS is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic EPS and also weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares, as appropriate.

(xiv) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

(xv) Business Combination

Business combinations are accounted for using the purchase (acquisition) method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition. Transaction costs incurred in connection with a business combination are expensed as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the excess is a negative, a bargain purchase gain is recognised in capital reserve.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

(xvi) Share-based compensation

Employee stock option schemes of holding company Sequent Scientific Employees Stock Option Plan 2010 (the Scheme) provides for grant of equity shares of SeQuent Scientific Limited (the holding company) to employees of the Company. Pursuant to Ind AS 102 'Share-based Payment', the Company recognises an expense based on the fair value of the stock options as at grant date. The expenses are amortised over the vesting period. The corresponding credit is given to equity because the award represents in substance equity contribution by the Parent Company. The cumulative expense recognised



Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

for stock options at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

(xvii) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

(xviii) Cash Dividend

The Company recognises a liability to pay dividend to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

(xix) Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The 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.

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(xx) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification. An asset is treated as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

It is expected to be settled in normal operating cycle

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

The Company classifies all other liabilities as non-current.

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

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

2.A Use of estimates and management judgments

In application of the accounting policies, which are described in note 2, the management of the company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

1. Useful life of property, plant and equipment and intangible assets

The useful life of the assets is determined in accordance with Schedule II of the Companies Act, 2013. In cases, where the useful life is different from that or is not prescribed in Schedule II, it is based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance.

2. Impairment

An impairment loss is recognised for the amount by which an asset's / investments or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected discounted future cash flows from each asset or cash-generating unit.

3. Deferred Tax

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020

4. Fair Value

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5. Post-retirement benefit plans

The obligation arising from the defined benefit plan is determined on the basis of actuarial assumptions which include discount rate, trends in salary escalation and vested future benefits and life expectancy. The discount rate is determined with reference to market yields at the end of the reporting period on the government bonds.

6. Provisions and contingencies

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the reporting date. The actual outflow of resources at a future date may therefore vary from the figure estimated at end of financial year.

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 Notes to the financial statements for the year ended 31 March 2020
 All amounts are in Rs. million unless otherwise stated

3 Property, plant and equipment and capital work-in-progress

	As at 31 March 2020	As at 31 March 2019
Carrying amount of:		
Buildings	437.24	430.74
Furniture and fixtures	5.65	4.83
Office equipments	1.37	2.22
Computers	3.00	2.98
Plant and machinery	589.36	677.00
Vehicles	3.56	5.34
Right-of-use assets (ROU)		
Land	448.70	-
Buildings	69.59	-
	1,558.47	1,123.11
Capital work-in-progress	8.64	3.77

Cost	Buildings	Furniture and fixtures	Office equipments	Computers	Plant and machinery	Vehicles	ROU- Land	ROU- Buildings	Total
Balance as on 01 April 2018	512.88	8.30	7.37	7.70	1,119.05	7.98	-	-	1,663.28
Additions	0.88	-	0.16	2.73	22.29	-	-	-	26.06
Deletions	-	-	-	0.13	-	-	-	-	0.13
Balance as on 31 March 2019	513.76	8.30	7.53	10.30	1,141.34	7.98	-	-	1,689.21
Transition impact of Ind AS 116 Leases [note 2(ii)]	-	-	-	-	-	-	453.70	77.33	531.03
Restated as at 01 April 2019	513.76	8.30	7.53	10.30	1,141.34	7.98	453.70	77.33	2,220.24
Additions	27.60	1.64	0.34	1.77	31.76	-	-	-	63.11
Deletions	-	-	-	0.04	6.45	2.55	-	-	9.04
Balance as on 31 March 2020	541.36	9.94	7.87	12.03	1,166.65	5.43	453.70	77.33	2,274.31
Accumulated depreciation									
Balance as on 01 April 2018	62.08	2.66	3.71	8.08	350.01	1.62	-	-	426.16
Depreciation expense for the year (refer note 5A)	20.94	0.81	1.60	1.35	114.33	1.02	-	-	140.05
Deletions	-	-	-	0.11	-	-	-	-	0.11
Balance as on 31 March 2019	83.02	3.47	5.31	7.32	464.34	2.64	-	-	566.10
Depreciation expense for the year (refer note 5A)	21.10	0.32	1.19	1.73	117.17	0.99	5.00	7.74	155.74
Deletions	-	-	-	0.02	4.22	1.76	-	-	6.00
Balance as on 31 March 2020	104.12	4.29	6.50	9.03	577.29	1.87	5.00	7.74	715.84
Carrying amount									
Balance as on 31 March 2019	430.74	4.83	2.22	2.98	677.00	5.34	-	-	1,123.11
Balance as on 31 March 2020	437.24	5.65	1.37	3.00	589.36	3.56	448.70	69.59	1,558.47

Notes:

- Title deeds of all the immovable properties are held in the name of the Company.
- Refer note 20 for charge created on the assets.

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4 Goodwill

Carrying amount of:	As at 31 March 2020	As at 31 March 2019
Goodwill	68.89	68.89
	68.89	68.89

4.1 Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units. The carrying amount of goodwill allocated to cash-generating units is as follows:

	As at 31 March 2020	As at 31 March 2019
Lyka Business	33.85	33.85
Veterinary Formulation Division	35.04	35.04
Total	68.89	68.89

Goodwill is monitored by the directors of the Company at each cash-generating unit (CGU). The Company tests Goodwill for impairment on an annual basis. The recoverable amounts have been determined based on value in use calculations which uses cash flow projections based on financial budgets covering a period of five years. The planning horizon reflects the assumptions for short to mid-term market developments. The key assumptions used for the calculations were as follows:

	As at 31 March 2020	As at 31 March 2019
Discount rate	17.80%	15.54%
Long term growth rate	4%	4%

The management of the companies believe that any reasonably possible change in the key assumption on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. The goodwill is tested for impairment and accordingly no impairment charges were identified for year ended 31 March 2020 (31 March 2019 : Rs Nil).

5 Other Intangible assets

Carrying amount of:	As at 31 March 2020	As at 31 March 2019
Software	10.43	15.02
Intellectual property rights	32.41	80.41
Marketing rights	21.66	32.38
	64.50	187.81
Intangible assets under development (refer note 46)	-	10.00

Cost	Software	Intellectual property rights	Marketing rights	Total
Balance as on 01 April 2018	23.23	304.70	389.26	717.19
Additions during the year	0.08	8.28	-	8.36
Balance as on 31 March 2019	23.31	312.98	389.26	725.55
Additions during the year	0.08	10.00	-	10.08
Balance as on 31 March 2020	23.39	322.98	389.26	735.63

Accumulated amortisation	Software	Intellectual property rights	Marketing rights	Total
Balance as on 01 April 2018	3.64	170.83	212.62	387.09
Amortisation expense for the year (refer note 5A)	4.65	61.74	84.26	150.65
Balance as on 31 March 2019	8.29	232.57	296.88	537.74
Amortisation expense for the year (refer note 5A)	4.67	58.00	70.72	133.39
Balance as on 31 March 2020	12.96	290.57	367.60	671.13

Carrying amount	Software	Intellectual property rights	Marketing rights	Total
Balance as on 31 March 2019	15.02	80.41	92.38	187.81
Balance as on 31 March 2020	10.43	32.41	21.66	64.50

5A Depreciation and amortisation expenses	Year ended 31 March 2020	Year ended 31 March 2019
Depreciation on property, plant and equipment (refer note 3)	155.74	140.05
Amortisation on intangible assets (refer note 5)	133.39	150.65
	289.13	290.70



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6 Non-current investments

	As at 31 March 2020	As at 31 March 2019
Investments in subsidiary		
<i>Unquoted equity instruments - carried at cost</i>		
Alivira Animal Health Limited, Ireland 12,565,751 Equity Shares of EURO 1 each fully paid-up (31 March 2019 : 12,565,751 shares)	2,893.31	2,893.31
Total	2,893.31	2,893.31
Aggregate carrying value of unquoted investments	2,893.31	2,893.31

7 Non-current loans

	As at 31 March 2020	Maximum balance during the year	As at 31 March 2019	Maximum balance during the year
Unsecured, considered good				
Loan to related parties (refer note 38.3)				
- Alivira Animal Health Limited, Ireland	306.80	944.39	763.17	763.17
Total	306.80	944.39	763.17	763.17

Notes:

- i) The above loan are given for business purposes and also incurred interest accrued till date of Rs. 306.80 (31 March 2019 : Rs. 232.70).
ii) The above said disclosure is pursuant to Section 186 (4) of the Companies Act, 2013

8 Other non-current financial assets

	As at 31 March 2020	As at 31 March 2019
Unsecured, considered good		
Security deposits	19.75	19.07
Margin money deposits	15.05	0.77
Share application pending allotment (*)	669.32	-
Total	704.12	19.84

- (*) During the year, the Company has decided to convert loan given to Alivira Animal Health Limited, Ireland (wholly owned subsidiary) of Rs 669.32 into 12,15,524 equity shares. Pending allotment of shares, this advance is shown as 'Share application money pending allotment'.

9 Deferred tax assets (net) (refer note 36)

	As at 31 March 2020	As at 31 March 2019
Deferred tax liability		
- Temporary differences on account of depreciation	(32.78)	(106.34)
Total deferred tax liability (B)	(32.78)	(106.34)
Deferred tax assets		
- Expenses allowable on payment basis	35.88	19.37
- Unabsorbed depreciation and carried forward of losses	-	86.97
- MAT Credit Entitlement	80.50	23.35
Total deferred tax assets (A)	116.38	129.69
Total (A+B)	83.60	23.35

10 Other non-current assets

	As at 31 March 2020	As at 31 March 2019
Unsecured, considered good		
Capital advances	1.74	8.43
Prepaid expenses	6.64	404.71
	8.38	413.14

Notes:

- i) Prepaid expense include leasehold land amounting to Rs Nil for Vizag and Ambemath plants (31 March 2019 : Rs.403.29)
ii) Refer note 39 for lease regrouped as per INDAS 116

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Alivira Animal Health Limited

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

All amounts are in Rs. million unless otherwise stated

11 Inventories

	As at 31 March 2020	As at 31 March 2019
Raw materials and packing materials	89.36	90.82
Goods-in transit	30.07	2.26
	<u>119.43</u>	<u>93.08</u>
Work-in-progress and intermediates (refer note (i) below)	207.84	222.74
Finished goods	99.92	157.74
Stock-in-trade	32.65	47.29
	<u>132.57</u>	<u>205.03</u>
Fuel	1.19	1.38
Total	<u><u>461.03</u></u>	<u><u>522.23</u></u>

Notes:

(i) Details of inventory of work-in-progress and intermediates:

Bulk drugs	204.93	216.63
Formulations	2.91	6.11
Total	<u>207.84</u>	<u>222.74</u>

(ii) During the year ended 31 March 2020 Rs. 3.63 (31 March 2019 : Rs. 6.18) was recognised as an expense towards provision for slow moving, expired and near expiry inventories

12 Current Investments

	As at 31 March 2020	As at 31 March 2019
<i>Unquoted mutual funds carried at FVTPL</i>		
(i) Kotak Saving Fund Regular Plan (Growth) (31,56,715.12 units) (face value Rs.10 per unit)	101.31	-
(ii) Kotak Liquid Fund Regular Plan (Growth) (12,503.28 units) (face value Rs.1000 per unit)	50.02	-
Total	<u>151.33</u>	<u>-</u>

13 Trade receivables

	As at 31 March 2020	As at 31 March 2019
Unsecured, considered good	1,005.97	1,058.97
Unsecured, considered doubtful	40.51	34.65
	<u>1,046.48</u>	<u>1,093.62</u>
Less: Allowance for doubtful trade receivables	40.51	34.65
Total	<u><u>1,005.97</u></u>	<u><u>1,058.97</u></u>

Notes:

1. During the year, the Company discounted trade receivables with an aggregate carrying amount of Rs. Nil (31 March 2019 : Rs.73.54) to a bank. If the trade receivables are not paid at maturity, the bank has the right to request the Company to pay the unsettled balance. As the Company has not transferred the significant risks and rewards relating to the trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a financial liability under note 24 -current borrowings

2. No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member except disclosed in note 38.3.

3. Refer note 47.3 for term and other details

14 Cash and cash equivalents

	As at 31 March 2020	As at 31 March 2019
Balances with banks		
- In current accounts	109.89	24.53
Cash on hand	0.04	0.08
Total	<u>109.93</u>	<u>24.61</u>

Cash and cash equivalents as defined in Ind AS 7 "Statements of Cash Flows"

	<u>109.93</u>	<u>24.61</u>
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 Notes to the financial statements for the year ended 31 March 2020
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15 Bank balances other than (note 14) above

In earmarked accounts
 - Margin money deposits (refer note (i) below)
 Total

As at 31 March 2020	As at 31 March 2019
68.33	29.73
<u>68.33</u>	<u>29.73</u>

(i). Balance in margin money deposits are held as security against borrowings, guarantees and other commitments.

16 Other current financial assets

Unsecured considered good
 Claims receivables
 Foreign exchange forward contracts at FV*PL
 Interest accrued on fixed deposits
 Total

As at 31 March 2020	As at 31 March 2019
70.60	17.87
-	0.91
0.74	0.33
<u>71.34</u>	<u>19.11</u>

17 Other current assets

Unsecured, considered good
 Advance to suppliers
 Balances with government authorities
 Prepaid expenses
 Others
 Total

As at 31 March 2020	As at 31 March 2019
7.81	8.09
133.31	160.87
9.38	13.54
3.02	1.51
<u>153.52</u>	<u>184.01</u>

Notes:

- i) Prepaid Expenses include leasehold land amounting to Rs Nil for Vizag and Ambernath plants (31 March 2019 - Rs.4.51)
 ii) Refer note 38 for lease regrouped as per INDAS 115

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Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020
All amounts are in Rs. million unless otherwise stated

	As at 31 March 2020		As at 31 March 2019	
	No. of Shares	Rs.	No. of Shares	Rs.
19 Share capital				
(a) Authorised Equity shares of Rs.10 each	158,000,000	1,580.00	158,000,000	1,580.00
(b) Issued, subscribed and fully paid-up Equity shares of Rs.10 each	47,776,470	477.76	47,776,470	477.76
Total		477.76		477.76

Notes:

(i) Reconciliation of the number of shares and amount outstanding

	No. of Shares	Share capital
Fully paid equity shares		
Balance as on 1 April 2018	41,406,274	414.06
Share issued during the year (refer note vi)	6,370,196	63.70
Balance as on 31 March 2019	47,776,470	477.76
Share issued during the year	-	-
Balance as on 31 March 2020	47,776,470	477.76

(ii) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. Each equity shareholder is entitled to dividend in the Company. The dividend proposed by board of directors is subject to approval of the shareholders in the ensuing annual general meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

(iii) Details of shares held by holding company

Name of the shareholder	As at 31 March 2020		As at 31 March 2019	
	No. of shares held	% of holding	No. of shares held	% of holding
Sequent Scientific Limited and its nominees	47,776,470	100%	47,776,470	100%

(iv) Details of shares held by each shareholder holding more than 5% shares

Name of the shareholder	As at 31 March 2020		As at 31 March 2019	
	No. of shares held	% of holding	No. of shares held	% of holding
Sequent Scientific Limited and its nominees	47,776,470	100%	47,776,470	100%

(v) Aggregate number of shares allotted as fully paid pursuant to contract without payment of cash for a period of 5 years immediately preceding the balance sheet date:

	As at 31 March 2020	As at 31 March 2019
Equity shares	7,400,000	7,400,000

(vi) During the previous year, the Company had issued 63,70,136 shares to Sequent Scientific Limited, the holding company at Rs 243 per share through right issue by adjusting sum payable towards loan taken from it.

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Notes to the financial statements for the year ended 31 March 2020
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	As at 31 March 2020	As at 31 March 2019
19 Other equity		
Retained earnings	(200.25)	(520.30)
Securities premium account	4,230.73	4,230.73
Share options outstanding account	60.59	79.98
Other reserves	26.70	16.15
General reserve	52.02	0.46
Total	4,169.79	3,807.02

(a) Retained earnings

	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the year	(520.30)	(614.47)
Add: Transition impact of Ind AS 116 Leases [note 2(ii)]	2.82	-
Add: Profit during the year	319.59	95.12
Less: Other comprehensive income arising from remeasurement of defined benefit obligation	(0.81)	(0.95)
Less: Fair value gain on Corporate guarantee	(1.55)	-
Balance at the end of the year	(200.25)	(520.30)

(b) Securities premium account

	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the year	4,230.73	2,746.47
Add: Premium on shares issued during the year (refer note 18 (vi))	-	1,484.26
Balance at the end of the year	4,230.73	4,230.73

(c) Share options outstanding account

	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the year	79.98	56.61
Add: Employee stock option expenses	32.17	23.83
Less: Transferred to general reserve on vested ESOP lapsed during the year	(51.56)	(0.46)
Balance at the end of the year	60.59	79.98

(d) Other reserves

	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the year	16.15	11.64
Add: Movement during the year	10.55	4.51
Balance at the end of the year	26.70	16.15

(e) General reserve

	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the year	0.46	-
Add: Vested ESOP lapsed during the year	51.56	0.46
Balance at the end of the year	52.02	0.46

Nature and purpose of Reserves

(a) Retained earnings

Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve and dividends or other distributions paid to shareholders.

(b) Securities premium account

Securities premium includes the difference between the face value of the equity shares and the consideration received in respect of shares issued.

(c) Share options outstanding account

This relate to shares of the Parent Company, granted by the Parent Company to specific employees of the Company under its employee share arrangement.

(d) Other reserves

The Company has availed certain loans from financial institutions / banks which have been guaranteed by SeQuent Scientific Limited, the Parent Company, at no consideration. Other reserves represents fair value of these services availed from the Parent Company.

(e) General reserve

General reserve represents vested ESOP lapsed on resignation of the employee the Company



	As at 31 March 2020	As at 31 March 2019
Secured term loans - at amortised cost		
From bank	411.25	336.56
From other parties	500.55	717.22
Unsecured term loan - at amortised cost		
From related parties	575.25	523.98
Total	1,487.05	1,577.76

(i) Details of terms of repayment for the long-term borrowings and security provided in respect of the secured long-term borrowings:

Particulars	As at 31 March 2020	As at 31 March 2019
Term loan from parties:		
Export and Import Bank of India: First charge on the entire Repayable in 26 equal quarterly fixed assets of the Company including immovable properties Instalments, commencing from both present and future, second charge over current assets of August 2016, the Company both present and future, unconditional and irrevocable corporate guarantee of SeQuent Scientific Limited to the extent of the shareholding in the Company, Personal guarantee of Mr Arun Kumar Pillai, promoter of SeQuent Scientific Limited, the holding company, to the extent of Rs.50 Crores. First charge / assignment on all intangibles assets of the Company.	320.44	502.78
Export and Import Bank of India: First pari passu charge on Repayable in 22 equal quarterly the entire movable and immovable fixed assets of Alivira Animal Health Limited, India Plant, at Vizag and Ambemath both September 2019 present and future, second pari passu charge over current assets of the Company both present and future, unconditional and irrevocable corporate guarantee of SeQuent Scientific Limited, Personal guarantee of Mr Arun Kumar Pillai, promoter of SeQuent Scientific Limited, the holding company, to the extent of Rs.30 Crores. Negative lien on the shares of Bremer, held by Alivira Animal Health Limited, Ireland.	178.82	212.45
IndusInd Bank: Exclusive mortgage on land, building and Repayable in 24 quarterly machinery situated at Tarapur Plant of SeQuent Scientific Limited, land and building situated at Ambemath Plant and office September 2019 premises at Dosti pinnacle, Thane	304.47	336.56
IndusInd Bank: Exclusive mortgage on land, building and Repayable in 23 quarterly machinery situated at Tarapur Plant of SeQuent Scientific Limited, land and building situated at Ambemath Plant and office December 2019 premises at Dosti pinnacle, Thane	106.78	
Toyota Financial Services India Limited: Hypothecation of Repayable in 60 equal monthly Instalments, commencing from October 2017, asset (vehicle).	0.56	0.89
Toyota Financial Services India Limited: Hypothecation of Repayable in 60 equal monthly Instalments, commencing from January 2018, asset (vehicle).	0.73	1.10
Total	911.80	1,053.78

(ii) The interest on above term loans from Export and Import Bank of India, IndusInd bank are linked to the lender's base rates which is floating in nature and term loans from Toyota Financial Services India Limited have fixed rate of interest. During the year, interest rates ranges from 9.65% to 10.25% per annum.

(iii) For the current maturities of long-term borrowings, refer note 26 - Other current financial liabilities.

	As at 31 March 2020	As at 31 March 2019
21 Other non current Financial liabilities		
Lease liabilities	123.15	-
Total	123.15	-
22 Non-current provisions		
	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits		
Gratuity (refer note 41)	29.15	23.81
Compensated absences (refer note below)	23.18	26.15
Total	52.34	49.96

Note:

The provision for compensated absences includes annual leave and vested long service leave entitlement accrued.

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Allvira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020
All amounts are in Rs. million unless otherwise stated

23 Other non-current liabilities

	As at 31 March 2020	As at 31 March 2019
Rent equalisation liability	-	8.18
Corporate guarantee liability	1.20	-
Total	1.20	8.18

24 Current borrowings

	As at 31 March 2020	As at 31 March 2019
Loans repayable on demand		
Secured loan - at amortised cost		
From banks (refer notes below)	489.45	561.67
Total	489.45	561.67

Notes:

- (i) Working capital loan from banks are secured by a first pari-passu charge on current assets of the Company, both present and future, a second pari-passu charge on fixed assets of the Company and unconditional irrevocable corporate guarantee of SeQuent Scientific Limited - holding company, shortfall undertaking from SeQuent Scientific Limited
- (ii) The interest on Working Capital loans are floating in nature which ranges from 9.05% to 10.85% per annum.

25 Trade payables

	As at 31 March 2020	As at 31 March 2019
Total outstanding dues of micro enterprises and small enterprises (refer note 43)	11.90	0.87
Total outstanding dues of creditors other than micro enterprises and small enterprises	489.42	551.56
Total	501.32	552.43

Notes:

- (i) Trade payables (other than due to micro, small and medium enterprises) are non-interest bearing and are normally settled in 90 - 120 days.
- (ii) The Company's exposures to currency and liquidity risks related to trade payables is disclosed in note 47.
- (iii) Refer note 35.3 for dues payable to related parties

26 Other current financial liabilities

	As at 31 March 2020	As at 31 March 2019
Current maturities of long-term borrowings *	288.39	244.41
Interest accrued and due on borrowings	7.32	9.83
Foreign exchange forward contracts at FVTPL	24.02	-
Payables on purchase of property, plant and equipments	4.68	7.82
Lease liabilities	3.14	-
Others	1.30	2.60
Total	329.05	264.66

* The details of interest rates, repayment terms, securities, guarantees and others terms are disclosed under note 20. Details of current maturities of long-term debt are as below:

	As at 31 March 2020	As at 31 March 2019
Secured term loan from other parties		
Export and Import Bank of India	243.54	233.31
Toyota Financial Services India Limited	0.71	0.80
Secured term loan from bank		
IndusInd Bank	44.14	10.50
Total	288.39	244.41

27 Current provisions

	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits		
Gratuity (refer note 41)	2.68	2.96
Compensated absences	2.84	2.52
Total	5.52	5.48

28 Current tax liabilities (net)

Provision for income tax (net of advance income tax Rs 50.88) (31 March 2019 : Rs.0.85)	30.03	4.67
Total	30.03	4.67

29 Other current liabilities

	As at 31 March 2020	As at 31 March 2019
Statutory remittances	11.54	9.49
Advances from customers	39.96	25.97
Total	51.50	35.46

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Allvira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020
All amounts are in Rs. million unless otherwise stated

30 Revenue from operations

	Year ended 31 March 2020	Year ended 31 March 2019
Sale of products	3,715.84	3,439.43
Sale of Services	38.72	
Other operating revenues		
Sale of scrap	3.30	1.91
Sale of Import Licences	7.69	3.60
Duty drawback and other export incentives	143.57	128.63
Total	3,909.12	3,573.57

Notes:

(i) Sale of products comprises:

(a) Manufactured goods

Bulk drugs	1,767.45	1,639.53
Formulations	134.12	122.76
Total- Sale of manufactured goods	1,901.57	1,762.29

(b) Traded goods

Bulk drugs	1,381.33	1,153.46
Formulations	432.94	523.68
Total- Sale of traded goods	1,814.27	1,677.14

Total-Sale of products

	3,715.84	3,439.43
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Disaggregated revenue disclosures.

The Company disaggregate the revenue based on geographic locations and it is disclosed under note 40 'Segment reporting'.

Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts that have original expected duration of one year or less.

Trade receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as a trade receivable.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for revenue contracts are recognized at a point in time when the company transfers control over the product to the customer.

Reconciliation of revenue from sale of products and services with the contracted price

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Contracted price	3,792.91	3,491.88
Less: trade discounts and returns	38.35	52.45
Sale of products and services	3,754.56	3,439.43

31 Other income

	Year ended 31 March 2020	Year ended 31 March 2019
Interest income (refer note (i) below)	54.93	27.71
Net loss / (gain) on foreign currency transactions and translation	69.51	2.90
Guarantee commission	1.43	4.30
Fair value gain on financial instrument at fair value through profit or loss	1.33	-
Miscellaneous income	0.80	3.89
Total	128.00	38.80

(i) Interest Income comprises:

Interest on:

Bank deposits	4.85	1.05
Loans to related parties	50.08	26.66
Total	54.93	27.71

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Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020
All amounts are in Rs. million unless otherwise stated

32.a Cost of materials consumed

	Year ended 31 March 2020	Year ended 31 March 2019
Opening stock	93.08	118.62
Add: Purchases	879.64	954.98
Less: Closing stock	119.43	93.08
Total	853.29	980.52
Materials consumed comprises:		
Solvents	82.00	97.32
Chemicals	771.29	883.20
Total	853.29	980.52

32.b Purchases of stock-in-trade

	Year ended 31 March 2020	Year ended 31 March 2019
Purchases of stock-in-trade	1,228.59	1,064.27
Total	1,228.59	1,064.27
Purchases of stock-in-trade comprises:		
Bulk drugs	1,020.27	808.14
Formulations	208.32	256.13
Total	1,228.59	1,064.27

32.c Changes in inventories of finished goods, stock-in-trade and work-in-progress

	Year ended 31 March 2020	Year ended 31 March 2019
Opening stock		
Work-in-progress and intermediates	222.74	234.77
Finished goods (including stock-in-trade)	205.03	62.26
	427.77	297.03
Closing stock		
Work-in-progress and intermediates	207.84	222.74
Finished goods (including stock-in-trade)	132.57	205.03
	340.41	427.77
Net (increase) / decrease	87.36	(130.74)

33 Employee benefits expense

	Year ended 31 March 2020	Year ended 31 March 2019
Salaries and wages	385.39	362.04
Contributions to provident fund, gratuity and other funds (refer note 41)	31.02	25.10
Share-based payments to employees (refer note 48)	32.17	23.83
Staff welfare expenses	10.35	10.96
Total	458.93	421.93

34 Finance costs

	Year ended 31 March 2020	Year ended 31 March 2019
Interest expense on borrowings	233.74	260.65
Other borrowing costs	18.97	23.06
Interest expense on leases liabilities	12.91	-
Total	265.62	283.71

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Allvira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020
All amounts are in Rs. million unless otherwise stated

35 Other expenses

	Year ended 31 March 2020	Year ended 31 March 2019
Travelling and conveyance	40.85	42.45
Communication expenses	5.47	5.75
Consumables	50.10	55.97
Conversion and processing charges	48.31	94.10
Contract labour charges	9.18	15.09
Legal and professional charges	27.15	24.33
Freight and forwarding	76.68	85.54
Power, water and fuel	57.59	91.10
Rent	0.50	14.79
Analytical charges	48.14	33.16
Repairs and maintenance		
Buildings	6.52	7.04
Machinery	24.76	23.95
Others	21.57	26.99
Insurance	9.22	4.78
Commission on sales	26.15	26.85
Advertisement and selling expenses	10.72	11.99
Rates and taxes	32.54	5.21
Bad loans and advances written off	-	1.00
Payments to auditors (refer note (i) below)	3.41	3.81
Loss on sale of property, plant and equipments	0.40	-
Bad trade receivables written off	6.08	2.42
Provision for doubtful trade receivables	5.86	8.68
Other expenses	26.08	21.85
Total	537.28	606.85

Note:

(i) Payments to the auditors comprises (net of Goods and Services Tax credit):

As auditors - statutory audit	1.25	3.00
Fees for certifications and other services	2.05	0.55
Reimbursement of expenses	0.11	0.26
	3.41	3.81

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Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020
All amounts are in Rs. million unless otherwise stated

36 Reconciliations of tax expenses and details of deferred tax balances
A) Income tax expense recognised in the statement of profit and loss

	Year ended 31 March 2020	Year ended 31 March 2019
i) Income tax expense recognised in the statement of profit and loss		
Current tax	57.15	23.35
Total (I)	57.15	23.35
Deferred Tax charge		
Origination and reversal of temporary differences	(2.67)	-
Total (II)	(2.67)	-
MAT		
MAT credit entitlement	(57.15)	(23.35)
Total (III)	(57.15)	(23.35)
Provision for tax of earlier years written back (IV)	-	0.01
Total (V = I+II+III+IV)	(2.67)	0.01
ii) Tax on other comprehensive income		
Re-measurement (gains) / losses on defined benefit plans	(0.43)	-
Total (VI)	(0.43)	-
Total (V+VI)	(3.10)	0.01

B) Reconciliation of effective tax rate

The reconciliation between the statutory income tax rate applicable to the Company and the effective income tax rate of the Company is as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
Profit before tax	316.92	95.13
Statutory income tax rate	34.94%	33.38%
Tax as per applicable tax rate	110.74	31.76
Differences due to:		
- Effect of additional allowance net of MAT credit	(110.31)	(31.75)
- Others	(3.10)	-
Income tax expenses charged to the statement of profit and loss	(2.67)	0.01
Effective tax rate	(0.84%)	0.01%

During the year the Company has recognised MAT credit entitlement which is expected to be available for set off in the future years.

C) Movement in deferred tax assets and liabilities

	As at 1 April 2019	Credit / (charge) in the statement of profit and loss	Credit / (charge) in other comprehensive income	As at 31 March 2020
- Temporary differences on account of depreciation	(106.34)	73.56	-	(32.78)
- Expenses allowable on payment basis	19.37	16.08	0.43	35.88
- Unabsorbed depreciation and carried forward of losses	86.97	(86.97)	-	-
- MAT credit entitlement	23.35	57.15	-	80.50
Total	23.35	59.82	0.43	83.60
	As at 1 April 2018	Credit / (charge) in the statement of profit and loss	Credit / (charge) in other comprehensive income	As at 31 March 2019
- Temporary differences on account of depreciation	(128.35)	22.01	-	(106.34)
- Expenses allowable on payment basis	18.55	2.82	-	19.37
- Unabsorbed depreciation and carried forward of losses	111.90	(24.83)	-	86.97
- MAT credit entitlement	-	23.35	-	23.35
Total	-	23.35	-	23.35

D) The Company continues to pay income tax under older tax regime even after introduction of Taxation Law (Amendment) Ordinance, 2019, considering the accumulated MAT credit, tax losses and other benefits under the Income Tax Act, 1961.



Alivira Animal Health Limited
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37 Earnings per share

	Year ended 31 March 2020	Year ended 31 March 2019
Basic earnings per share(in Rs.)	6.69	2.15
Diluted earnings per share(in Rs.)	6.69	2.15

Profit attributable to equity shareholders

	Year ended 31 March 2020	Year ended 31 March 2019
Profit for the year attributable to equity holders of the Company	319.59	95.12
Profit attributable to equity shareholders for basic and diluted earnings	319.59	95.12

Weighted average number of equity shares

	Year ended 31 March 2020	Year ended 31 March 2019
Equity shares at beginning of the year	47,776,470	41,406,274
Effect of shares issued during the year	-	2,879,678
Weighted average number of equity shares at end of the year for basic and diluted EPS	47,776,470	44,285,952

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Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020
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38 Related party transactions

38.1 List of related parties

(I) Related parties where control exists

a) Holding Company

SeQuent Scientific Limited

b) Subsidiaries

Wholly-owned subsidiary:

Alivira Animal Health Limited, Ireland

Step down subsidiaries:

Alivira Animal Health Australia Pty Limited

Provet Veteriner Ürünleri San. Ve Tic. A. Ş.

Topkim Topkapi İlaç premiks Sanayi Ve Ticaret A.Ş.

Fendigo SA

Fendigo BV

N-Vet AB

Alivira Saude Animal Brasil Participações Ltda

Interchange Veterinária Indústria E Comércio Ltda.

Laboratorios Karizoo, S.A.

Laboratorios Karizoo, S.A. DE C V. (Mexico)

Comercial Vila Veterinária De Lilela S.L.

Phytotherpic Solutions S.L.

Vila Vira Participações S.L.

Alivira France

Bremer Pharma GmbH

Evance Saude Animal Ltda (incorporated w.e.f 25 December 2018)

Alivira Italia S.R.L. (incorporated w.e.f 21 January 2019)

Alivira UA Limited (strike off w.e.f 18 August 2019)

(II) Other related parties with whom transactions have taken place during the year

(a) Key management personnel

Mr. Manish Gupta, Chief Executive Officer & Managing Director

Mr. Sharat Narasapur, Joint Managing Director

Dr. Gopakumar G Nair, Independent Director

Mrs. Kalpana Mukherjee, Executive Director

b) Relatives of Key management personnel

Mrs Anita M Gupta (wife of Mr Manish Gupta)

c) Fellow subsidiaries:

SeQuent Research Limited

d) Enterprises owned or significantly influenced by individuals who have control / significant influence over the Company

Strides Pharma Science Limited

Solara Active Pharma Sciences Limited

Note:

All the transactions entered with related parties are in the ordinary course of business and on arm's length basis

Above mentioned provides the information about the Company's structure including the details of the subsidiaries and the holding company. The following table provides transactions that have been entered into with related parties for the relevant financial year:

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Alivira Animal Health Limited
Notes to the financial statements for the year ended 31 March 2020
All amounts are in Rs. million unless otherwise stated

33 Related party transactions
33.2 Transactions for the year

	Holding Company		Wholly-owned subsidiary		Step down subsidiaries		Fellow subsidiaries		Enterprises owned or significantly influenced by individuals who have control / significant influence over the Company		Key management personnel and their relatives	
	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019
Sale of materials / services	83.55	240.76										
SeQuent Scientific Limited												
Provet Veteriner Dizinleri San. Ve Tic. A.					1.03	2.23						
Topkım Topkım İlaç-premikks Sanayi Ve Ticaret A.Ş.					18.11	2.95						
Laboratorios Kantzoo, S.A.					0.17	0.51						
Solaris Active Pharma Sciences Limited					256.25	7.19			147.59	52.77		
Alivira Animal Health Limited, Ireland					8.93	4.03						
Bremer Pharma GmbH												
Interest and other income												
Alivira Animal Health Limited, Ireland (*)			50.08	26.66								
Sale of Scrips	7.69	3.60										
SeQuent Scientific Limited												
Interest expenses	56.57	101.88										
SeQuent Scientific Limited (**)												
Purchase of materials / consumables	1,232.98	846.23			0.18	-			99.97	216.56		
SeQuent Scientific Limited										0.79		
Laboratorios Kantzoo, S.A.												
Solaris Active Pharma Sciences Limited												
Strides Pharma Science Limited												
Professional fees expenses												
Alivira Animal Health Limited, Ireland			3.01	1.90								
Support services provided			27.49	-								
Alivira Animal Health Limited, Ireland												
Processing and conversion charges incurred												
SeQuent Scientific Limited	10.40											
Reimbursement of expenses from												
Bremer Pharma GmbH					0.02	-						
Purchase of fixed assets	0.04	9.67						8.02				
SeQuent Research Limited												
SeQuent Scientific Limited												
Sale of fixed assets	2.14	0.80										
SeQuent Scientific Limited												
SeQuent Research Limited												
Mrs Anita M Gupta											0.50	
Managerial remuneration (***)												
Mr. Manish Gupta (#)											12.01	11.80
Short-term benefits												
Mr. Sharat Narsapur											8.17	7.48
Short-term benefits											1.56	
Share based payments											9.73	7.48

(*) Interest income is included in the loan receivable amount

(**) Interest expense is included in the loan outstanding amount

(***) Expenses towards gratuity and compensated absences provisions are determined actuarially on an overall company basis at the end of each year and accordingly have not been considered in the above information.

(#) The managerial remuneration is approved by the members in the AGM



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33 Related party transactions

Transactions for the year

	Holding Company		Wholly-owned subsidiary		Step down subsidiaries		Fellow subsidiaries		Enterprises owned or significantly influenced by individuals who have control / significant influence over the Company		Key management personnel and their relatives	
	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019
Mrs Kajipana Mukherjee Short-term benefits	-	-	-	-	-	-	-	-	-	-	2.56	2.46
Director sitting fees Dr. Gopakumar Nair	-	-	-	-	-	-	-	-	-	-	0.40	0.25
Analytical charges SeQuent Research Limited	-	-	-	-	-	-	-	-	-	-	-	-
Payment towards lease obligation and finance costs (previous year - rent expenses) SeQuent Scientific Limited	8.40	0.40	-	-	-	-	42.08	30.17	-	-	-	-
Commission expenses Solara Active Pharma Sciences Limited	-	-	-	-	-	-	-	-	0.90	-	-	-
Guarantee commission Income Alivira Animal Health Limited, Ireland	0.35	-	1.08	4.30	-	-	-	-	-	-	-	-
Guarantee commission expenses SeQuent Scientific Limited	5.18	4.50	-	-	-	-	-	-	-	-	-	-
Additional guarantee received the year SeQuent Scientific Limited	(167.52)	250.59	-	-	-	-	-	-	-	-	-	-
Additional / (reduction) of guarantee given during the year (net) SeQuent Scientific Limited Alivira Animal Health Limited, Ireland	483.41	-	(149.78)	(647.65)	-	-	-	-	-	-	-	-
Employee Stock Option expenses SeQuent Scientific Limited	32.17	23.83	-	-	-	-	-	-	-	-	-	-
Loans given by the Company Alivira Animal Health Limited, Ireland	-	-	110.92	1,051.01	-	-	-	-	-	-	-	-
Loans repaid to the Company Alivira Animal Health Limited, Ireland (refer note 2)	-	-	659.32	2,306.26	-	-	-	-	-	-	-	-
Borrowing repaid by the Company SeQuent Scientific Limited (refer note 1)	-	1,666.46	-	-	-	-	-	-	-	-	-	-
Borrowings SeQuent Scientific Limited	-	1,028.00	-	-	-	-	-	-	-	-	-	-
Loan converted to equity Alivira Animal Health Limited, Ireland	-	-	669.32	2,306.26	-	-	-	-	-	-	-	-
Shares issued during the year SeQuent Scientific Limited (refer note 1)	-	1,547.96	-	-	-	-	-	-	-	-	-	-



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38 Related party transactions

38.3 Balance as at balance sheet date

	Holding Company		Wholly-owned subsidiary		Step down subsidiaries		Fellow subsidiaries		Enterprises owned or significantly influenced by individuals who have control / significant influence over the Company		Key management personnel and their relatives	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
(i) Trade receivables Alivira Animal Health Limited, Ireland Topkim Topkepi Ilac premiks Sanayi Ve Ticaret A.Ş. Laboratorios Kaizoon, S.A. Alivira UA, Limited Sofara Active Pharma Sciences Limited Bremer Pharma GmbH SeQuent Research Limited			102.47	38.34		0.95 0.50 3.35						
(ii) Loan receivable Alivira Animal Health Limited, Ireland			306.80	763.17	4.29	1.11	0.01					50.63
(iii) Borrowings SeQuent Scientific Limited	575.25	523.98										
(iv) Trade Payables SeQuent Scientific Limited SeQuent Research Limited Sofara Active Pharma Sciences Limited Alivira Animal Health Limited, Ireland	85.62	126.15	4.91	1.89				27.06	22.26			45.93
(v) Corporate guarantee received from SeQuent Scientific Limited	1,749.70	1,917.22										
(vi) Corporate guarantees given to Alivira Animal Health Limited, Ireland SeQuent Scientific Limited	483.41			149.78								

Notes:

- During the previous year ended, the Company, through right issue had issued 63,70,195 shares to Sequent Scientific Limited, the Holding company at a price of Rs 243 Per share. Out of the total borrowings amounting to Rs 1,666.46 an amount of Rs 1,547.96 has been adjusted against the amount receivable towards issue of right shares.
- During the previous year ended, the company had subscribed to the right issue of 34,36,603 shares of Alivira Animal Health Limited, Ireland amounting to Rs 2,306.26. The amount payable towards right issue has been adjusted against the sum receivable towards loan given by company to Alivira Animal Health Limited, Ireland. The above total repayment of Rs 2,306.26 is adjusted towards consideration for right share.

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Notes to the financial statements for the year ended 31 March 2020
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39 Leases

The effect of adoption of Ind AS 116 is as follows:

Impact on balance sheet - increase / (decrease)

	<u>01 April 2019</u>
Assets	
Right-of-use assets	531.03
Prepayments	<u>(407.79)</u>
Total assets	<u><u>123.24</u></u>
Equity	
Retained earnings	2.82
Total equity	<u><u>2.82</u></u>
Liabilities	
Interest-bearing loans and borrowings	128.60
Trade and other payables	<u>(8.18)</u>
Total liabilities	<u><u>120.42</u></u>
Total	<u><u>123.24</u></u>

Impact on statement of profit and loss increase / (decrease) in profit for the year

Particulars	31 March 2020
Depreciation and amortisation expenses	(12.74)
Other expenses	19.73
Finance costs	<u>(12.91)</u>
Net decrease in profit for the year	<u><u>(5.92)</u></u>

Impact on the statement of cash flows increase / (decrease)

	31 March 2020
Payment of principal portion of lease liabilities	(8.80)
Payment of interest portion of lease liabilities	<u>(6.42)</u>
Net cash flows from financing activities	<u><u>(15.22)</u></u>

The difference between the future minimum lease rental commitments towards non-cancellable operating leases and finance leases reported as at 31 March 2019 compared to the lease liability as accounted as at 01 April 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

There is no material impact on statement of profit and loss and the basic and diluted earnings per share.

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4. Segment Reporting

I. Primary segment (Business segment)

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the Geographic segment of its business separately for the purpose of making decisions about resource allocation and performance assessment.

The Company is mainly engaged in the business of veterinary healthcare. Considering the nature of business and financial reporting of the Company, the Company has only one business segment viz; veterinary healthcare as primary reportable segment.

II. Secondary segment (Geographical segment)

The Company operates in three principal geographic locations.

- (i) Europe
- (ii) Asia
- (iii) Rest of the world

	For the year ended March 31, 2020	For the year ended March 31, 2019
I. Revenue from operations		
Europe	1,246.72	1,138.78
Asia	1,481.35	1,396.64
Rest of the world	1,181.05	1,038.15
Total	3,909.12	3,573.57
	As at 31 March 2020	As at 31 March 2019
II. Total assets		
Europe	424.32	496.15
Asia	2,977.95	2,838.36
Rest of the world	362.86	329.20
Total segment assets	3,765.13	3,663.71
Unallocable (*)	3,953.03	3,681.34
Total assets	7,718.16	7,345.05
III. Cost incurred during the year to acquire segment assets		
Europe	-	-
Asia	68.06	17.59
Rest of the world	-	-
Total	68.06	17.59

Information about major customer

For information about major customer, refer note 47.3

Note: In presenting geographic information, segment revenue has been based on the selling location in relation to sales to customers and segment assets are based on geographical location of assets.

(*) Unallocable assets comprises of investments in subsidiary, loans, deferred tax assets (net) and share application pending allotment

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41 Employee benefit plans

(i) Defined contribution plans:

The Company makes Provident Fund and Employee State Insurance Scheme contributions which are defined contribution plans, for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised Rs. 23.41 (31 March 2019: Rs. 18.46) for Provident Fund contributions and Rs. 1.73 (31 March 2019: Rs. 2.05) for Employee State Insurance Scheme contributions in the statement of profit and loss. As at 31 March 2020, contribution of Rs. 3.81 (31 March 2019: Rs. 2.69) is outstanding which is paid subsequent to the end of respective reporting periods.

(ii) Defined benefit plan:

The Company has a defined gratuity benefit plan. Gratuity is payable to all eligible employees of the Company on superannuation, death and resignation. The following table summarizes the components of net employee benefit expenses recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the plan.

	31 March 2020	31 March 2019
Expense / (Income) recognised in the statement of profit and loss:		
Current service cost	5.88	4.58
Net interest cost	1.90	1.67
Expected return on plan assets	(0.05)	(0.02)
Component of defined benefit costs recognised in the statement of profit and loss	7.73	6.23
Expense / (Income) recognised in other comprehensive income:		
Return on plan assets (excluding amounts included in net interest cost)	0.54	(0.01)
Actuarial (gains) / losses arising from changes in financial assumptions	1.68	0.45
Actuarial (gains) / losses arising from changes in experience adjustments	(0.98)	0.51
Component of defined benefit costs recognised in other comprehensive income	1.24	0.95
Total	8.97	7.18

Net defined benefit obligation as reflected in Balance Sheet.

	31 March 2020	31 March 2019
Present value of defined benefit obligation (DBO)	32.08	27.50
Fair value of plan assets	(0.24)	(0.72)
Net liability recognised in balance sheet	31.84	26.78

A. Movements in the present value of the defined benefit obligation are as follows.

	31 March 2020	31 March 2019
Opening defined benefit obligation	27.50	22.39
Current service cost	5.88	4.58
Interest cost	1.90	1.67
Benefits paid	(3.90)	(2.11)
Remeasurement loss (gain):		
Actuarial loss (gain) arising from:		
Actuarial gains and losses arising from changes in demographic assumptions	-	-
Actuarial gains and losses arising from changes in financial assumptions	1.68	0.45
Actuarial gains and losses arising from changes in experience adjustments	(0.98)	0.51
Closing defined benefit obligation	32.08	27.50

E. Movements in the fair value of plan assets are as follows.

	31 March 2020	31 March 2019
Opening fair value of plan assets	0.73	0.27
Expected return on plan assets	0.05	0.02
Contributions from the employer	-	1.37
Benefits paid	-	(0.85)
Remeasurement loss (gain):		
Return on plan assets (excluding amounts included in net interest cost)	(0.54)	0.02
Closing fair value of plan assets	0.24	0.73
Estimate amount of contribution in immediate next year	2.92	3.68

Actual return on plan assets is Rs.(0.48) (31 March 2019 Rs. 0.37)

Asset Information

	31 March 2020	31 March 2019
Insurer: Managed Funds (LIC) (100%)	100%	100%

Actuarial assumptions

The principal assumptions used for the purpose of actuarial valuations are shown in the table below. The assumptions as at the balance sheet date are used to determine the present value of defined benefit obligation at that date.

	31 March 2020	31 March 2019
Financial assumption:		
Discount rate	6.51%	7.40%
Salary escalation rate	8.00%	8.00%
Demographic assumption:		
Withdrawal rate	12.00%	12.00%
Mortality rate	IALM (2012-14)	IALM (2006-08)
	Ultimate	Ultimate
Retirement Age	58 yrs	58 yrs

As per para 83 of Ind AS 19, the rate used to discount post-employment benefit obligation (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on government bonds.

	31 March 2020	31 March 2019
Expected future cash flows		
Within 1 Year	2.92	3.68
2-5 years	15.00	11.82
6-10 years	15.36	14.89
Average expected future working life is 7.73 years (previous year 7.71 years)		

Sensitivity Analysis

The sensitivity analyses below have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

	Impact on the defined benefit obligation	
	100 bps increase	100 bps decrease
31 March 2020		
Discounting rate	(1.86)	2.09
Salary escalation rate	2.04	(1.85)
31 March 2019		
Discounting rate	(1.55)	1.71
Salary escalation rate	1.69	(1.55)



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42 Contingent liabilities and commitments (to the extent not provided for)

Contingent liabilities

Contingent liabilities during the current year Rs Nil (31 March 2019 : Nil)

Commitments

a. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)

- Property, plant and equipment

	As at 31 March 2020	As at 31 March 2019
	10.41	0.72

b. The Company has given a letter of support to its wholly owned subsidiary Alivira Animal Health Limited, Ireland to continue to assist in whatever manner that it can to financially support the operations and cash flow requirements of the subsidiary for the foreseeable future.

43 Dues to micro, small and medium enterprises (refer note 25)

	As at 31 March 2020	As at 31 March 2019
The amounts remaining unpaid to micro and small suppliers as at the end of the year	11.90	0.87
Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	0.01
The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
The amount of interest due and payable for the year	-	0.01
The amount of interest accrued and remaining unpaid at the end of the accounting year	-	0.01
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management based on enquiries made by the Management with the creditors which have been relied upon by the auditors.

44 Corporate Social Responsibility Expenses (CSR)

As per Section 135 (1) of the Companies Act, 2013 read with guidelines issued by Department of Public Enterprises, the Company is required to spend, in every financial year, at least two per cent of the average net profits of the Company made during the three immediately preceding financial years in accordance with its CSR Policy.

Details of CSR spent during the financial year:

Due to inadequate profits in recent financial years, the Company has not spent on the CSR activities. However, the Company is committed towards sustainable development of the society and the country and is confident of contributing towards the CSR activities in the coming years upon being profitable.

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45 Details of research and development expenditure

Revenue expenditure
 Employee benefit expenses
 Legal and professional fees
 Raw materials and consumables
 Travelling and conveyance
 Analytical charges
 Depreciation
 Repairs & maintenance
 Others
 Total

Capital expenditure
 Purchase of Property, plant and equipment (including pilot plant)
 Total

Notes:
 1 Vizag R&D unit got approved by DSIR (Certificate no-F. No. TU/V-RD/4453/2019) during financial year 2019-20
 2 For Ambernath formulation R&D unit DSR application is yet to be made

46 Intangible assets under development (refer note 5)

Move ment of other Intangible assets under development:
 Opening balance
 Add: Intangible purchased during the year
 Less: Transferred to Intangible assets
 Less: Intangibles sold during the year
 Total Intangible assets under development:

31 March 2020			31 March 2019		
Ambernath	Vizag	Total	Ambernath	Vizag	Total
Formulations	API (refer note below)		Formulations	API (refer note below)	
13.00	29.86	42.86	9.57	24.13	33.70
2.47	0.01	2.48	1.41	0.01	1.42
0.03	1.42	1.45	6.48	2.71	9.19
0.39	0.17	0.56	0.27	0.09	0.36
2.23	24.42	26.65	1.47	11.00	12.47
0.76	57.54	58.30	0.06	61.80	61.86
0.11	0.93	1.04	0.86	0.02	0.88
3.16	3.59	6.77	0.81	1.26	2.07
22.17	117.94	140.11	20.73	101.02	121.75
39.06	0.33	39.39	-	13.66	13.66
39.06	0.33	39.39	-	13.66	13.66

	31 March 2020	31 March 2019
Opening balance	10.00	30.42
Add: Intangible purchased during the year	-	9.61
Less: Transferred to Intangible assets	10.00	8.27
Less: Intangibles sold during the year	-	21.76
Total Intangible assets under development:	-	10.00

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47 Financial Instruments

The carrying value and fair value of financial instruments by categories are as follows:

	Carrying value and fair value	
	31 March 2020	31 March 2019
Financial assets		
Measured at amortised cost:		
Loans	306.80	763.17
Trade receivables	1,005.97	1,058.97
Cash and cash equivalents	109.93	24.61
Other bank balances	68.33	29.73
Other financial assets	775.46	38.04
Investment in a subsidiary	2,893.31	2,893.31
Measured at fair value through profit or loss (FVTPL)		
Foreign exchange forward contracts at FVTPL	-	0.91
Investments in mutual fund	151.33	-
Total	5,311.13	4,808.74
Financial liabilities		
Measured at amortised cost		
Borrowings (including current maturity of long term borrowings)	2,264.89	2,383.84
Trade payables	501.32	552.43
Other financial liabilities	139.79	20.25
Measured at fair value through profit or loss (FVTPL)		
Foreign exchange forward contracts at FVTPL	24.02	-
Total	2,930.02	2,956.52

47.1 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 measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at 31 March 2020 and 31 March 2019:

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets / (liabilities) measured at fair value:					
Derivative financial assets designated at fair value through profit or loss (note 26 and 16 respectively):					
Foreign exchange forward contracts- USD	31 March 2020	(24.02)	-	(24.02)	-
Foreign exchange forward contracts- USD	31 March 2019	0.91	-	0.91	-
Financial assets designated at fair value through profit or loss (note 12):					
Investment in mutual funds	31 March 2020	151.33	-	151.33	-
Investment in mutual funds	31 March 2019	-	-	-	-

There have been no transfers among Level 1, Level 2 and Level 3 during the year.

Notes:

(i) Refer note 2 (xiv) under significant accounting policies for recognition and measurement of financial assets

(ii) Derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the market place.

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47.2 Financial risk management objective and policies

The Company's principal financial liabilities comprise loans and borrowings, trade payables and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include investments, loans, trade and other receivables, and cash and deposits that derive directly from its operations.

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Company's activities makes it susceptible to various risks. The Company has taken adequate measures to address such concerns by developing adequate systems and practices. The Company's overall risk management program focuses on the unpredictability of markets and seeks to manage the impact of these risks on the Company's financial performance.

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

47.3 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 resulting in a financial loss to the Company. Credit risk arises principally from trade receivables. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The credit risk on liquid funds and derivatives financial instruments is limited because the counterparties are banks with high credit-ratings assigned by credit-rating agencies.

The Company's trade and other receivables are actively monitored to review credit worthiness of the customers to whom credit terms are granted and also avoid significant concentrations of credit risks.

Given below is ageing of trade receivable spread by period of six months:

	As at 31 March 2020	As at 31 March 2019
Outstanding for more than 6 months	79.88	15.71
Others	926.09	1,043.26
	<u>1,005.97</u>	<u>1,058.97</u>

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls.

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating.

Trade receivables consist of a large number of customers spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee insurance cover is purchased for export customers.

There is no revenue from single external customer more than 10% of Company's total revenue for the year ended 31 March 2020.

In addition, the Company is exposed to credit risk in relation to financial guarantees provided by the company. The company's maximum exposure in this respect is the maximum amount the company may have to pay if the guarantee is called on. As at 31 March 2020, an amount of Rs.630.00 (31 March 2019 : Rs. 148.78) is outstanding as financial guarantee. These financial guarantees have been issued to banks and other parties with whom loan agreements have been entered by the subsidiary and parent Company.

47.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, 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 risking damage to the Company's reputation.

The Company has an appropriate liquidity risk management framework for the management of short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's treasury department is responsible for managing the short term and long term liquidity requirements of the Company. Short term liquidity situation is reviewed daily by Treasury. Long term liquidity position is reviewed on a regular basis by the Board of Directors and appropriate decisions are taken according to the situation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.



The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2020 and 31 March 2019:

	As at 31 March 2020			
	Total	Less than 1 year	1-2 years	2 years and above
Borrowings (including current maturity of long term borrowings)	2,264.89	777.84	301.37	1,185.68
Trade payables	501.32	501.32	-	-
Other financial liabilities	139.79	16.64	4.09	119.06
Financial guarantee	483.41	-	-	-

	As at 31 March 2019			
	Total	Less than 1 year	1-2 years	2 years and above
Borrowings (including current maturity of long term borrowings)	2,383.84	806.08	280.76	1,297.00
Trade payables	552.43	552.43	-	-
Other financial liabilities	20.25	20.25	-	-
Financial guarantee	148.78	-	-	-

47.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is exposed to interest rate risk arises mainly from debt. The company is exposed to interest rate risk because the fair value of fixed rate borrowings and the cash flows associated with floating rate borrowings will fluctuate with changes in interest rates.

The Company is also exposed to foreign currency risk on certain transactions that are denominated in a currency other than the respective entity's functional currency; hence exposures to exchange rate fluctuations arise. The risk is that the functional currency value of cash flows will vary as a result of movements in exchange rates.

a) Derivative financial instruments

Derivative transactions are undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets and may / may not qualify or be designated as hedging instruments.

(i) Outstanding forward exchange contracts entered into by the Company as on 31 March 2020

Currency	Amount		Buy / Sell	Cross currency
	As at 31 March 2020	As at 31 March 2019		
USD	1.10	1.80	Sell	
USD	6.73	-	Buy	

Foreign currency Risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 12-month period for hedges of forecasted sales.

b) Foreign currency risk exposure from financial instruments are given below:

Foreign currency	31 March 2020		31 March 2019	
	Receivable / (payable)	Receivable / (payable) in foreign currency	Receivable / (payable)	Receivable / (payable) in foreign currency
EURO	41.95	0.51	31.18	0.40
USD	1,137.74	15.09	1,616.53	23.37
AUD	0.19	0.00	0.11	0.00
GBP	0.03	0.00	0.02	0.00
EURO	(20.02)	(9.24)	(14.59)	(0.19)
USD	(182.69)	(2.42)	(174.19)	(2.52)
CHF	-	-	(3.11)	(0.05)
Net Exposure	977.20	-	1,455.95	-

c) Foreign currency sensitivity analysis

The Company is mainly exposed to currency fluctuation of USD and Euro.

The following table details the Company's sensitivity to a 10% increase and decrease in the INR against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the INR strengthens 10% against the relevant currency. For a 10% weakening of the INR against the relevant currency, there would be a comparable impact on the profit or equity, and the balance below would be negative.

	Impact in the statement of profit and loss and total equity	
	As at 31 March 2020	As at 31 March 2019
	10% Increase in foreign currency	
Currency of Europe (Euro)	2.19	1.66
Currency of U.S.A (USD)	95.51	144.23
Others	0.02	(0.30)
10% decrease in foreign currency		
Currency of Europe (Euro)	(2.19)	(1.66)
Currency of U.S.A (USD)	(95.51)	(144.23)
Others	(0.02)	0.30

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

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Alivira Animal Health Limited

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47.6 Financial instrument - risk exposure and fair value

Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments are as follows:

	As at 31 March 2020	As at 31 March 2019
Fixed-rate instruments		
Financial assets		
-Margin money deposit	83.38	30.50
	<u>83.38</u>	<u>30.50</u>
Financial liabilities		
-Borrowings from others	2.00	2.64
	<u>2.00</u>	<u>2.64</u>
Variable-rate instruments		
Financial liabilities		
-Borrowings from bank	944.84	832.55
-Borrowings from others	1,318.05	1,548.65
Total	<u>2,262.89</u>	<u>2,381.20</u>

Interest rate sensitivity analysis for variable-rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Effect	Profit and loss	
	100 bps increase	100 bps decrease
31 March 2020		
Variable-rate instruments	(22.63)	22.63
	<u>(22.63)</u>	<u>22.63</u>
31 March 2019		
Variable-rate instruments	(23.81)	23.81
	<u>(23.81)</u>	<u>23.81</u>

47.7 Capital management

For the purpose of Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity share holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

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. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings less cash and cash equivalents

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. As at 31st March 2020, there is no breach of covenant attached to the borrowings.

The Company manages its capital to ensure that entities in the company will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt (offset by cash and bank balances) and total equity of the Company. The Company's gearing ratio are as follows.

	As at 31 March 2020	As at 31 March 2019
Debt (i)	2,264.89	2,383.84
Cash and cash equivalents (ii)	109.93	24.61
Other bank balances (iii) (Margin Money)	68.33	29.73
Current investment (iv)	151.33	-
Net debt [(i) - { (ii)+(iii)+(iv) }]	<u>1,935.30</u>	<u>2,329.50</u>
Total equity	<u>4,647.55</u>	<u>4,284.78</u>
Gearing ratio	41.64%	54.37%

(i) Debt is defined as long-term (including current maturity of long-term borrowings excluding financial guarantee contracts) and short-term borrowings.
(iii) Gearing ratio : Net debt / Equity.

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48. Share-based payment arrangements:

Employee Stock Option Plan:

Pursuant to the Employee Stock Option plan established by the holding company (i.e. Sequent Scientific Limited), stock options were granted to the employees of the Company.

Grant Date	No. of Options	Vesting conditions	Contractual life of the options vesting Period
11 January 2016 (*)	350,000	The options granted would normally vest over a maximum period of 4 years from the date of the grant in proportions specified in 'Sequent ESOP 2010' scheme.	5 years
14 May 2016	125,000		
25 May 2017	50,000		
02 November 2018	2,325,000		
03 July 2019	500,000		

* Pursuant to sub-division of 1 equity share of Rs.10 each into 5 equity shares of Rs 2 each on 26 February 2016, the no. of options have been adjusted proportionately.

The expense on Employee Stock Option plan debited to the statement of profit and loss during 2019-20 is Rs. 32.17 million (P.Y. Rs. 23.84 million). The entire amount pertains to equity-settled employee share-based payment plans.

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option programmes were as follows:

	31 March 2020		31 March 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Employees Stock Option Plan:				
Option outstanding at the beginning of the year	2,696,000	46.47	446,000	83.02
Granted during the year	500,000	40.00	2,325,000	40.00
Exercised during the year	409,000	40.00	25,000	16.00
Cancelled during the year	327,250	87.00	-	-
Forfeited during the year	450,000	44.57	50,000	87.00
Options outstanding at the end of the year	2,009,750	40.90	2,636,000	46.47

Share options exercised during the year

The following share options were exercised during the year:

Option series	Number exercised	Exercise date	Share price at exercise date
1. Granted on 02 November 2018	304,000	12 Dec 2019	65.03
2. Granted on 02 November 2018	105,000	01 Jan 2020	70.78

The share option outstanding at the end of the year had a weighted average exercise price of Rs. 40.00 (31 March 2019 : Rs 46.47) and weighted average remaining contractual life of 3.74 years (31 March 2019: 4.23 years).



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49 Transfer pricing

In respect of Transfer pricing regulations under Section 92 to 92F of the Indian Income Tax Act, 1961, the Management confirms that its international transactions and Specified Domestic Transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for tax.

50 Following outbreak of COVID-19 pandemic globally and in India, the Company has adopted measures to curb the spread of infections in order to protect health of its employees and business continuity with minimal disruption. Considering that the Company is in business of Animal Health Care which is considered to be an essential service, the Company's operations do not have any significant impact as all its plants are operating and sales continuing. The Company's management, based on internal and external information available, has assessed its impact on carrying value of receivables and investments. The impact of the global health pandemic may be different from that estimates as at the date of approval of these financial statements and the management will continue to closely monitor any material changes to future economic condition.

51 Exports incentives are recognised based on certainty of receipt. During the year ended 31 March 2020, an amount of Rs 39.80 of export incentive income pertaining to past invoices has been recognised as attached condition of certainty is met.

52 The financial statements were approved for issue by the Board of Directors on 12 May 2020.

As per our report of even date

For S F B C & CO LLP
Chartered Accountants
ICAI firm registration number- 324982E / E300003

Per Vikas Kumar Pansari
Partner
Membership No: 093649

Mumbai, 12 May 2020

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS


Manish Gupta
Managing Director &
Chief Executive Officer
DIN:06805265


Tushar Mistry
Chief Financial Officer


Sharat Narsapur
Joint Managing Director
Director
DIN:02808651


Pankaj Ochani
Company Secretary
Membership No:51804

