NOTICE OF THE ANNUAL GENERAL MEETING OF THE EQUITY SHAREHOLDERS

NOTICE BE AND IS HEREBY GIVEN THAT THE NINTH (9TH) ANNUAL GENERAL MEETING ("AGM" / "MEETING") OF FSN E-COMMERCE VENTURES LIMITED ("COMPANY") WILL BE HELD ON WEDNESDAY, SEPTEMBER 29, 2021 AT 05:00 PM, INDIAN STANDARD TIME (IST) THROUGH VIDEO CONFERENCING ('VC") / OTHER AUDIO VISUAL MEANS ("OAVM") FACILITY AT THE DEEMED VENUE OF REGISTERED OFFICE OF THE COMPANY SITUATED AT 104, VASAN UDYOG BHAVAN, SUN MILL COMPOUND, TULSI PIPE ROAD, LOWER PAREL, MUMBAI – 400013, TO TRANSACT THE FOLLOWING BUSINESSES

ORDINARY BUSINESS:

1. **Adoption of the Audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2021 and the Reports of the Board of Directors and Auditors thereon**

   To consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of the Companies Act, 2013 and Rules thereunder, the Audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2021, comprising the Balance Sheet as on March 31, 2021, Statement of Profit and Loss and the Cash Flow Statement for the year ended as on that date, together with the Annexures / Schedules / Notes thereon and the Reports of Directors and Auditors thereon, as circulated to the Members, be and are hereby approved and adopted."

2. **Adoption of the Audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2021 and the Reports of the Auditors thereon**

   To consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of the Companies Act, 2013 and Rules thereunder, the Audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2021, comprising the Balance Sheet as on March 31, 2021, Statement of Profit and Loss and the Cash Flow Statement for the year ended as on that date, together with the Annexures / Schedules / Notes thereon and the Reports of Auditors thereon, as circulated to the Members, be and are hereby approved and adopted."

3. **Re-appointment of Mr. Milan Khakhar, as a Director liable to retire by rotation**

   To consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Mr. Milan Khakhar (DIN: 00394065), who retires by rotation and being eligible offers himself for reappointment, be and is hereby re-appointed as a Director of the Company, liable to retirement by rotation."

4. Re-appointment of Ms. Adwaita Nayar, as a Director liable to retire by rotation

To consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Ms. Adwaita Nayar (DIN: 07931382), who retires by rotation and being eligible offers herself for reappointment, be and is hereby re-appointed as a Director of the Company, liable to retirement by rotation."

5. Re-appointment of M/s. S. R. Batliboi & Associates LLP, Chartered Accountants, Mumbai as Statutory Auditors and fix their remuneration

To consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 139, 141, 142 and other applicable provisions, if any, of the Companies Act, 2013, the Companies (Audit & Auditors) Rules 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and further to recommendation of the Audit Committee and approval of Board of Directors, approval of Members be and is hereby accorded for the re-appointment of M/s. S. R. Batliboi & Associates LLP, Chartered Accountants, Mumbai (ICAI Firm Registration No. 101049W/E300004), as the Statutory Auditors of the Company to hold the office for a period of 5 (five) consecutive years from the conclusion of this 9th (Ninth) Annual General Meeting until the conclusion of 14th (Fourteenth) Annual General Meeting, at a remuneration and scope of work to be fixed by the Audit Committee and Board of Directors of the Company and agreed with the Statutory Auditors, subject to applicable taxes and re-imbursement of actual out of pocket and travelling expenses incurred in connection with the aforesaid audit.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized for and on behalf of the Company to take all necessary steps and to do all such acts, deeds, matters and things which may be deemed necessary in this behalf."

SPECIAL BUSINESS:

6. Appointment of Mr. Sanjay Nayar as a Director

To consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to provisions of Section 152, 161, 164 and other applicable section(s) (including any modification or re-enactment thereof) of the Companies Act, 2013 and Rules made there under including the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Articles of Association of the Company and further to recommendation of Nomination & Remuneration Committee and such other statutory / other approvals as may be required, Mr. Sanjay Nayar (DIN: 00002615) who was appointed as Additional Director (Promoter, Non-Executive Director) by the Board of Directors ('Board') with effect from April 09, 2021, and who holds office until the conclusion of the this 9th Annual General Meeting in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013, from a Member signifying his intention to propose Mr. Sanjay Nayar as a candidate for the office of a Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.

RESOLVED FURTHER THAT Directors of the Company and the Company Secretary be and are hereby authorized, severally, to file e-form DIR 12 or any other required form(s) with the Registrar of Companies, Mumbai, and sign, finalize, execute any paper, document, etc. and to do all such acts, deeds and things necessary in this regard to give effect to the foregoing."

By Order of the Board of Directors
For FSN E-Commerce Ventures Limited

Sd/-
Rajendra Punde
Head – Legal, Company Secretary
and Compliance Officer
Mem. No: A9785

Registered Office:
104, Vasan Udyog Bhavan,
Sun Mill Compound, Tulsi Pipe Road,
Lower Parel, Mumbai – 400013
CIN: U52600MH2012PLC230136

Place: Mumbai
Date: August 31, 2021

NOTES:

(1) The Statement pursuant to the provisions of Section 102 of the Companies Act, 2013 ("**Act**") stating material facts and reasons for the proposed resolution is annexed hereto.

(2) In view of difficulties faced by stakeholders on account of the threat posed by COVID-19 pandemic and its continuation in the current year, social distancing norms and the restrictions on movement of persons within the country, the Ministry of Corporate Affairs ("**MCA**") has issued General Circular No 14/2020 dated April 08, 2020, General Circular No 17/2020 dated April 13, 2020, General Circular No. 20/2020 dated May 05, 2020 and General Circular No. 02/2021 dated January 13, 2021 ("**MCA Circulars**") and with reference to Clarification / Guidance on applicability of Secretarial Standards on General Meetings (SS-2) dated April 15, 2020 issued by The Institute of Company Secretaries of India, and in compliance with the provisions of the Companies Act 2013 and the Rules made thereunder, the Company will hold / conduct this AGM through VC / OAVM Facility without the physical presence of the Members at a common venue (i.e. Deemed Venue of Registered Office).

(3) As per the provisions of General Circular No. 20/2020 dated May 05, 2020, the matter of Special Business appearing at Item No. 6 of the accompanying Notice, is considered by the Board to be unavoidable and hence, forms part of this Notice.

(4) In accordance with the Secretarial Standard-2 on General Meetings issued by the Institute of Company Secretaries of India ("ICSI") read with Clarification/Guidance on applicability of Secretarial Standards - 1 and 2 dated April 15, 2020, issued by the ICSI, the proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Company which shall be the deemed venue of the AGM.

(5) Mr. Milan Khakhar is interested in the Ordinary Resolution set out at Item No. 3 of the Notice with regard to his reappointment. The relatives of Mr. Milan Khakhar may be deemed to be interested in the resolution set out at Item No. 3 of the Notice to the extent of their shareholding interest, if any, in the Company. Save and except the above, none of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the Business set out under Item No. 3 of the Notice.

(6) Ms. Adwaita Nayar is interested in the Ordinary Resolution set out at Item No. 4 of the Notice with regard to her reappointment. Ms. Falguni Nayar, Executive Chairperson, Managing Director and Chief Executive Officer and Mr. Anchit Nayar, Executive Director, being related to Ms. Adwaita Nayar, may be deemed to be interested in the resolution set out at Item No. 4 of the Notice. The relatives of Ms. Adwaita Nayar may be deemed to be interested in the resolution set out at Item No. 4 of the Notice to the extent of their shareholding interest, if any, in the Company. Save and except the above, none of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the Business set out under Item No. 4 of the Notice.

(7) Save and except stated in this Notice, none of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the Business set out under Item Nos. 1 to 6 of the Notice.

(8) Details of Directors retiring by rotation / seeking appointment / re-appointment at this Meeting are provided in the "Annexure" to the Notice.

(9) PURSUANT TO THE PROVISIONS OF THE ACT, A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS/HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. SINCE THIS AGM IS BEING HELD PURSUANT TO THE MCA CIRCULARS THROUGH VC/OAVM, THE REQUIREMENT OF PHYSICAL ATTENDANCE OF MEMBERS HAS BEEN DISPENSED WITH. ACCORDINGLY, IN TERMS OF THE MCA CIRCULARS, THE FACILITY FOR APPOINTMENT OF PROXIES BY THE MEMBERS WILL NOT BE AVAILABLE FOR THIS AGM AND HENCE, THE PROXY FORM, ATTENDANCE SLIP AND ROUTE MAP OF AGM ARE NOT ANNEXED TO THIS NOTICE.

(10) The Institutional Investors and Body Corporates who are Members of the Company, are entitled to appoint authorized representatives to attend the AGM through VC/OAVM and participate thereat and cast their votes. Such Members are requested to send a duly certified copy of the Board Resolution in this regard.

(11) M/s. V. C. Shah & Co., Chartered Accountants, Mumbai (ICAI Firm Registration Number 109818W), were appointed as Statutory Auditors of the Company at the 8th AGM held on September 30, 2020. Pursuant to the Notification issued by the MCA on May 07, 2018 amending section 139 of the Act and the Rules framed thereunder, the mandatory requirement for ratification of appointment of Auditors by the Members at every AGM has been omitted, and hence the Company is not proposing an item on ratification of appointment of Statutory Auditors at this AGM.

(12) M/s. S. R. Batliboi & Associates LLP, Chartered Accountants, Mumbai (ICAI Firm Registration No. 101049W/E300004) are proposed to be appointed as the Statutory Auditors of the Company to hold the office for a period of 5 (five) consecutive years from the conclusion of this 9th (Ninth) Annual General Meeting until the conclusion of 14th (Fourteenth) Annual General Meeting. If approved by the shareholders, the office of Statutory Auditors will be jointly held by M/s. V. C. Shah & Co. and M/s. S. R. Batliboi & Associates LLP.

(13) The Register of Directors and Key Managerial Personnel and their shareholding maintained under section 170 of the Act and Register of Contracts or arrangements in which directors are interested maintained under section 189 of the Act and relevant documents referred to in this Notice of AGM and explanatory statement, will be available electronically for inspection by the Members during the AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the Members from the date of circulation of this Notice up to the date of AGM, i.e. September 29, 2021. Members seeking to inspect such documents can send an email to nykaacompanysecretary@nykaa.com.

(14) In case of joint holders attending the AGM, only such joint holder who is higher in the order of names will be entitled to vote.

(15) The Members may join the AGM in the VC/OAVM mode 15 minutes before the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

(16) The Members will be allowed to pose questions during the course of the Meeting. The queries can also be given in advance at the designated email ID of the Company - nykaacompanysecretary@nykaa.com

(17) In accordance with the MCA General Circular No. 20/2020 dated May 05, 2020 and MCA General Circular No. 02/2021 dated January 13, 2021 and other MCA circulars and in view of the extraordinary circumstances due to pandemic caused by COVID-19, the physical copies of the financial statements (including Board's Report, Auditor's Report or other documents required to be attached therewith) for the Financial Year ended March 31, 2021 pursuant to section 136 of the Act and Notice of the AGM pursuant to section 101 of the Act read with the Rules framed thereunder, such statements including the Notice of AGM are being sent only in electronic mode to all the Members on their e-mail addresses are registered with the Company. The physical copies of the aforesaid documents are not being dispatched to any Member.

(18) Members are requested to register / intimate changes, if any, pertaining to their name, postal address, e-mail address, telephone/mobile numbers, PAN, DPID/Client ID or Folio Number and Number of shares held by them, to their DP in case the shares are held in electronic form and to the RTA in case the shares are held in physical form.

(19) The Company's Registrar and Transfer Agents for its share registry work (Electronic) are Link Intime India Pvt. Ltd. having its office at C-3, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078.

(20) A copy of the Notice of this AGM alongwith Annual Report for the FY 2020-21 has been uploaded and is available on the website of the Company at www.nykaa.com/investor-relations

(21) All the relevant documents referred to in the Notice and the accompanying Statement as well as other documents as required under the provisions of the Companies Act, 2013 will be open/available through electronic mode for inspection without any fee by the Members from the date of this Notice up to the date of the AGM. In this context, the Members are requested to send the requisition e-mail on nykaacompanysecretary@nykaa.com.

INSTRUCTIONS FOR MEMBERS FOR VOTING AT THE AGM ARE AS UNDER:-

(1) A member shall be entitled to attend and vote either by show of hands if the Chairman allows or by sending their assent/dissent via email nykaacompanysecretary@nykaa.com ("Designated email ID").

(2) In case a poll is required, members can cast their vote on the resolutions only by sending emails through their email addresses which are registered with the Company. The said emails can only be sent to Mr. Rajendra Punde – Head Legal, Company Secretary and Compliance Officer at nykaacompanysecretary@nykaa.com with copy marked to sanjay.dubey@nykaa.com, pratik.bhujade@nykaa.com and shreekant.sawant@nykaa.com. Members casting their vote through email should do so only during the Meeting and not at any time before the commencement of the Meeting. If any email is received after the closure of the Meeting, it will be considered that no reply from the member has been received. Additionally, please note that the vote cast through an email shall be considered invalid if :

(i) it is not possible to determine without any doubt the assent or dissent of the member; and/or
(ii) a competent authority has given directions in writing to the Company to freeze the voting rights of the member; and/or
(iii) the member has made any amendment to the resolution set out herein or imposed any condition while exercising his vote.

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

(1) The Company has made arrangements to allow members to participate through VC/OAVM. Members are requested to log in to the link **meet.google.com/igi-ayyr-fbe** in order to attend the Meeting.

(2) After clicking on the weblink, they will be redirected to Meeting Room via browser or by running Temporary Application. In order to join the Meeting, follow the step and provide the required details (if asked) and join the Meeting. Members are encouraged to join the Meeting through Laptops for better experience.

(3) Members can also download the 'Google Meet' Application from their App Store or play store available on their mobile phone and attend the Meeting.

(4) Further, Members will be required to allow Camera and use Internet audio settings as and when asked while setting up the Meeting on Mobile App.

(5) Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use a Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

(6) For any queries in relation to attending the AGM through VC/OAVM or any assistance with using the technology to attend the AGM, the members may reach out to Mr. Rajendra Punde, Head – Legal, Company Secretary and Compliance Officer at nykaacompanysecretary@nykaa.com.

(7) The facility to join the AGM shall be kept open fifteen minutes before the scheduled time of Meeting and shall not be closed till the expiry of fifteen minutes after the scheduled time of Meeting.

STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013, IN RESPECT OF SPECIAL BUSINESS SET OUT IN THE NOTICE CONVENING THE EXTRA ORDINARY GENERAL MEETING "AGM" OF FSN E-COMMERCE VENTURES LIMITED

The following Statement sets out all the material facts relating to the Special business mentioned under Item No. 6 of the accompanying Notice dated August 31, 2021

ITEM NO.: 6

APPOINTMENT OF MR. SANJAY NAYAR AS DIRECTOR

Pursuant to the approval and recommendation of the Nomination and Remuneration Committee **("NRC")** of the Board at its meeting held on April 9, 2021, the Board at its meeting held on April 9, 2021 appointed Mr. Sanjay Nayar as an Additional Director (Promoter, Non-Executive Director) of the Company, liable to retire by rotation, subject to the approval of Shareholders.

In accordance with the provisions of Section 161 of the Companies Act, 2013 ('the Act') and of the Articles of Association of the Company, an Additional Director holds office till the ensuing Annual General Meeting. Mr. Sanjay Nayar is eligible for appointment as a Director of the Company. In view of the above and in terms of the approval of the NRC on August 30, 2021 and the Board at its meeting held on August 31, 2021, it is proposed to appoint Mr. Sanjay Nayar as a director at the ensuing Annual General Meeting ('AGM') of the Company. Requisite Notice under Section 160 of the Act has been received by the Company for appointment of Mr. Sanjay Nayar, who has also filed his consent to act as Director of Your Company, if appointed. Appropriate resolution seeking Your approval to his appointment is appearing in the Notice convening the ensuing AGM of the Company.

At its meeting on August 31, 2021, the Board of Directors of the Company, on the recommendation of the Nomination and Remuneration Committee dated August 30, 2021 approved, the appointment of Mr. Sanjay Nayar as a Director (Promoter, Non-Executive Director) of the Company, liable to retire by rotation, subject to the approval of Shareholders. In accordance with the provisions of Section 161 of the Companies Act, 2013 ("Act"), Mr. Nayar holds office of the Director till the conclusion of this 9th Annual General Meeting of the Company.

Section 160 of the Act provides that, non-retiring director shall be eligible to be appointed at a general meeting, if he or some member intending to propose him as a director, has not less than 14 days before the meeting left at the registered office of the Company, a notice in writing under his hand signifying his candidature as a director or as the case may be the intention of such member to propose him as a candidate for that office.

The Company received the required notice from a member of the Company along with deposit of the requisite amount under Section 160 of the Act proposing the candidature of Mr. Sanjay Nayar for the office of Director of the Company.

Mr. Sanjay Nayar is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director. He holds 12,01,18,920 equity shares in the Company.

Brief profile:

Mr. Sanjay Nayar holds a bachelor's degree in science in mechanical engineering from the University of Delhi and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He has over 35 years of experience in the banking, and private equity. He was associated with Citibank N.A. for over 23 years, where he also served as the chief executive officer of the bank in

India over six years. He was chief executive officer of KKR India Advisors Private Limited from 2009 to 2020. Presently he serves as a chairman of KKR India and also serves on the board of various companies, including Indigrid Investment Managers Limited, Max Healthcare Institute Limited, J B Chemicals and Pharmaceuticals Limited and Avendus Capital Private Limited.

Accordingly, in terms of the requirements of the provisions of Companies Act, 2013, the approval of the Members of the Company is being sought for appointment of Mr. Nayar as Director of the Company.

Mr. Sanjay Nayar may be deemed to be concerned or interested, financially or otherwise, to the extent of the aforesaid shareholding in respect of his appointment as a Director. Ms. Falguni Nayar, Executive Chairperson, Managing Director and Chief Executive Officer, Ms. Adwaita Nayar, Executive Director and Mr. Anchit Nayar, Executive Director who are his relatives and his other relatives to the extent of their shareholding in the Company, if any, may be deemed to be concerned or interested in the appointment of Mr. Sanjay Nayar.

Save and except the above, none of the Directors / Key Managerial Personnel of the Company and their relatives is, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board recommends the resolutions set out at Item No. 6 of the Notice for your approval as an Ordinary Resolution.

By Order of the Board of Directors
For FSN E-Commerce Ventures Limited

Sd/-
Rajendra Punde
Head – Legal, Company Secretary
and Compliance Officer
Mem. No: A9785

Registered Office:
104, Vasan Udyog Bhavan,
Sun Mill Compound, Tulsi Pipe Road,
Lower Parel, Mumbai – 400013
CIN: U52600MH2012PLC230136

Place: Mumbai
Date: August 31, 2021

ANNEXURE TO THE NOTICE OF AGM

Details / Brief Resume of Directors (i) retiring by rotation and (ii) seeking appointment at the 9th Annual General Meeting
(Pursuant to Clause 1.2.5 of Secretarial Standard-2 on General Meetings)

Particulars	Mr. Milan Khakhar	Ms. Adwaita Nayar	Mr. Sanjay Nayar
Director Identification Number (DIN)	00394065	07931382	00002615
Date of Birth (Age in years)	18/01/1961 (60 years)	16/08/1990 (31 years)	13/10/1960 (60 years)
Date of Original Appointment	28/09/2015	22/01/2018	09/04/2021
Qualifications	• Bachelor's degree in commerce and law from the University of Bombay.	• Bachelor's degree in applied mathematics from the Yale University • Master's degree in business administration from the Harvard Business School.	• Bachelor's degree in science in mechanical engineering from the University of Delhi • Post-graduate diploma in management from the Indian Institute of Management, Ahmedabad.
Experience and expertise	Over 30 years of experience in natural stones and building material industry sector	More than 5 years in various roles of investment banking, marketing and management of fashion business	Over 35 years of experience in the banking, and private equity
Terms and Conditions of appointment/re-appointment	He will be a member of Board of Directors of the Company entrusted with powers of management having control on general conduct and management of the business affairs of the Company.	Executive Director for a period of 5 years starting July 01, 2021	He will be a member of Board of Directors of the Company entrusted with powers of management having control on general conduct and management of the business affairs of the Company.
Details of remuneration sought to be paid	Nil	No change in the remuneration approved by the Board and Shareholders at their meetings held respectively on June 30, 2021 and July 16, 2021 (as stated below)	Nil
Details of remuneration last drawn	Nil	With effect from July 01, 2021: • Fixed Compensation – Rs. 2 crores • Variable Pay - 0.5% commission of profit before tax of the consolidated • Company subject to applicable statutory limits • Standard perquisites and benefits as per Company's policy in this regard	Nil
Shareholding in the Company	Nil	1,44,00,060 Equity Shares	12,01,18,920 Equity Shares

Particulars	Mr. Milan Khakhar	Ms. Adwaita Nayar	Mr. Sanjay Nayar
Relationship with other director/Manager and other KMP	Nil	Daughter of Ms. Falguni Nayar and Mr. Sanjay Nayar Sister of Mr. Anchit Nayar	Spouse of Ms. Falguni Nayar Father of Mr. Anchit Nayar and Ms. Adwaita Nayar
Number of meetings attended during the year (FY 2020-21)	6 out of 6	6 out of 6	N/A as appointed as an additional director with effect from April 9, 2021
Directorships of other Board	**Indian Companies:** Private Companies: 1. Solid Realty Company Private Limited. Public Companies: 1. Global Instile Solid Industries Limited 2. Universal Tiles & Stone Company Limited and 3. Solid Stone Company Limited.	**Indian Companies:** Private Companies: 1. Epimoney Private Limited; 2. Nykaa Fashion Private Limited; and 3. Nykaa-KK Beauty Private Limited.	**Indian Companies:** Private Companies: 1. Avendus Capital Private Limited 2. Epimoney Private Limited; 3. FSN Distribution Private Limited; 4. FSN International Private Limited; 5. Grameen Impact Investments India Private Limited; 6. Heritage View Developers Private Limited; 7. Radiant Life Care Private Limited; 8. Sealink View Probuild Private Limited; 9. Sea View Probuild Private Limited; 10. Seynse Technologies Private Limited; and Public Companies: 1. Indigrid Investment Managers Limited; 2. J B Chemicals and Pharmaceuticals Limited; and 3. Max Healthcare Institute Limited. Section 8 Companies *(erstwhile section 25 companies)* 1. Pratham Education Foundation; and 2. Pratham Institute for Literacy Education and Vocational Training. Companies limited by guarantees 1. Indian School of Business.

Particulars	Mr. Milan Khakhar	Ms. Adwaita Nayar	Mr. Sanjay Nayar
			Foreign Companies: 1. Nykaa International UK Limited
Membership/Chairmanship of Committees	FSN E-Commerce Ventures Limited: • Audit Committee (Member) • Nomination & Remuneration Committee (Member) • Share Allotment cum Transfer Committee (Member) • Initial Public Offer Committee (Member) • Fundraise Committee (Member) • Finance cum Management Committee (Member) Solid Stone Company Limited: • Nomination & Remuneration Committee (Member)	FSN E-Commerce Ventures Limited: • Stakeholders Relationship Committee (Member) • Corporate Social Responsibility & Environmental Social and Governance Committee	FSN E-Commerce Ventures Limited: • Fundraise Committee (Member) • Risk Management Committee (Chairman) • Corporate Social Responsibility & Environmental Social and Governance Committee (Member) • Initial Public Offer Committee (Member) Avendus Capital Private Limited: • Audit & Risk Committee (Chairman) • Nomination and Remuneration Committee (Chairman) Indigrid Investment Managers Limited: • Investment Committee (Member) • Audit Committee (Member) • Stakeholder Relationship Committee (Member) • Nomination & Remuneration Committee (Member) • Allotment Committee (Member) • Risk Management Committee (Member) • Bidding Committee (Member) Max Healthcare Institute Limited: • Audit and Risk Committee (Member) J. B. Chemicals & Pharmaceuticals Ltd.: • Nomination and Remuneration Committee (Member) • Compensation Committee (Member)

Particulars	Mr. Milan Khakhar	Ms. Adwaita Nayar	Mr. Sanjay Nayar
			Pratham Education Foundation: • Chairman of Audit and Finance Committee Indian School of Business: • Audit Committee (Member) • Corporate Social Responsibility Committee (Member) • Fund Raising Committee (Member) Pratham Education Foundation: • Chairman of Audit and Finance Committee

By Order of the Board of Directors
For FSN E-Commerce Ventures Limited

Sd/-
Rajendra Punde
Head – Legal, Company Secretary and Compliance Officer
Mem. No: A9785

Registered Office:
104, Vasan Udyog Bhavan,
Sun Mill Compound, Tulsi Pipe Road,
Lower Parel, Mumbai – 400013
CIN: U52600MH2012PLC230136

Place: Mumbai
Date: August 31, 2021

DIRECTORS' REPORT

TO THE MEMBERS OF
FSN E-COMMERCE VENTURES LIMITED

The Directors take pleasure in presenting the 9th Annual Report of Your Company ('the Company') together with the Audited Financial Statements for the financial year ended 31st March, 2021.

(1) RESULT OF OUR OPERATIONS:

(A) FINANCIAL HIGHLIGHTS OF THE COMPANY

The highlights of the Financial Statements of the Company for the Financial Year ("FY") 2020-21 are as under :-

(Amount Rs. Lakhs)

Particulars	Financial Year Ended 31/03/2021		Financial Year Ended 31/03/2020	
	Standalone	**Consolidated**	**Standalone**	**Consolidated**
Revenue from Operations	14,581.33	244,089.49	18,765.96	176,753.36
Other Income	6,025.03	1,175.92	3,050.01	1,054.80
Total Income	20,606.36	245,265.41	21,815.97	177,808.16
Total Expenditure	16,123.63	238,653.00	19,640.31	179,261.49
Profit / (Loss) before Tax	4,482.73	6,612.41	2,175.66	(1,453.33)
Current Tax	-	4,007.80	-	605.91
Deferred Tax Expenses / (Credit)-	863.82	(3,560.16)	668.75	240.67
Profit / (Loss) after Tax	3,618.91	6,164.77	1,506.91	(2,299.91)
Balance in the Profit / (Loss) Account in the Balance Sheet	(2,838.36)	(9,922.58)	(6,470.33)	(16,090.75)

(B) REVIEW OF OPERATIONS OF THE COMPANY

As of March 31, 2021, The Company turned PAT positive during the year due to growth in revenue and prudent cost management. Your Company grew by 50.7% over the previous year in terms of GMV – the total of which was Rs.404,598 lakhs. It must be noted that this was the year of the pandemic and the agility of the Company to both manage lockdown restrictions as well as bring in newer and relevant SKUs played a significant role in this growth. Your Company offered approximately 2 million SKUs from 3,826 national and international brands to its consumers across business verticals. Consolidated Revenue from operations in the Financial Year 2021 was Rs.244,089.49 lakhs, which grew 38.10% from the Financial Year 2020. During this period, Your Company achieved an EBITDA of Rs.16,841.49 lakhs and an EBITDA margin of 6.90%. The Company reported a consolidated net profit after tax aggregated to Rs. 6,164.77 lakhs as against net loss after tax of Rs.2,299.91 lakhs for Financial Year 2020.

(C) ECONOMIC ENVIRONMENT

The year 2021 proved to be a tumultuous one for the global economy in the wake of the COVID-19 pandemic that unleashed unprecedented disruption to human life and economic activity the world over. The long-term implication on societies and economies will be far reaching and are as yet unknown. India also got severely impacted by covid pandemic starting March,2020 that resulted in national lockdown and sudden stoppage of economic activities. The second wave of the pandemic has caused an unprecedented health crisis in India since March 2021 resulting in irreparable loss of thousands of human lives, with large sections of urban and rural India adversely impacted. Localized lockdowns have been prevalent across most States, with consequent disruption in economic activities.

During the year, private consumption slowed significantly and de-grew by 9.1% (vs. growth of 5.5% in the previous year). The slowdown gathered momentum with disruptions in the supply chain and large scale job losses consequent to the pandemic induced lockdowns. The weakness in consumption and investment demand was partly offset by increase in Government spending.

In the above backdrop, Indian economy contracted by 7.3% in real terms in 2020-21 compared to growth of 4.0% in 2019-20. India Fiscal deficit for the year 2020-21, which was earlier expected to be 3.5% of GDP, was recorded at 9.3% of GDP, due to lower revenue collections in the first half of the year and additional government expenditure for stimulus.

Despite unprecedented challenges, Indian society and economy has showed resilience by bouncing back gradually to normalcy. Active crisis management by the Government of India has ranged from proactive lockdowns to driving vaccination programs at a massive scale and have resulted in reducing the economic impact of the pandemic. Indian entrepreneurs and business leaders have shown a flexible mindset to solve supply chain issues, enable a work from home environment with flexible working hours and make possible many home delivery solutions of goods and services. This has mitigated the economic slowdown and consumer demand has also shown revival.

(D) STANDALONE AND CONSOLIDATED FINANCIAL STATEMENTS

The audited financial statements of the Company are drawn up, both on standalone and consolidated basis, for the financial year ended March 31, 2021, in accordance with the requirements of the Companies (Indian Accounting Standards) Rules, 2015 (Ind-AS) notified under Section 133 of the Act, read with relevant Rules and other accounting principles. The Consolidated Financial Statement has been prepared based on the financial statements received from subsidiaries, as approved by their respective Board of Directors.

(2) DETAILS OF MATERIAL CHANGES FROM THE END OF THE FINANCIAL YEAR TILL THE DATE OF THIS REPORT:

(I) Conversion of the Company from Private Limited to a Public Limited Company and consequent change of name of the Company:

Your Company was converted into a Public Limited Company effective July 28, 2021 upon issue of fresh certificate of incorporation from Registrar of Companies, Mumbai, Maharashtra and accordingly its name has been changed to "FSN E-Commerce Ventures Limited" (formerly FSN E-Commerce Ventures Private Limited), leading to a consequent amendment to the Memorandum and Articles of Association of the Company.

(II) Conversion of Optionally Convertible Redeemable Preference Shares ("OCRPS") into Equity Shares of the Company:

Subsequent to March 31, 2021, 4,50,528 OCRPS of Rs. 10/- each were made fully paid up and converted into Equity Shares of Rs. 10/- each.

(III) Sub-division of Equity Shares and Preference shares:

The nominal value of the equity share and preference share of the Company was sub-divided from Rs. 10/- per share to Rs. 1/- per share.

(IV) Issue of Bonus shares: July 22, 2021

The Company made a bonus issue by way of allotment of 31,13,57,900 equity shares of face value of Rs.1/- each in ratio of 2:1 (i.e. two equity shares for every one equity share already held) to the Members on July 22, 2021.

(V) Filing of Draft Red Herring Prospectus (DRHP) with Securities and Exchange Board of India (SEBI)

Your Company on August 2, 2021, filed DRHP (dated August 1, 2021) with SEBI for its initial public offering (IPO) comprising of a fresh issue of up to Rs. 525 crore and an offer for sale of up to 43,111,670 equity shares. Post IPO, equity shares of the Company are proposed to be listed on BSE Limited and the National Stock Exchange of India Limited (NSE). Your Company is awaiting clearance from SEBI on the DRHP and has received in-principle approval for the proposed listing of its shares from the National Stock Exchange of India Ltd (NSE) on August 16, 2021 and from the BSE Ltd on August 30, 2021.

(3) APPROPRIATIONS:

(A) DIVIDEND

Your Directors do not recommend any Dividend on the Equity Shares and Preference Shares of the Company for FY ended 31st March, 2021 considering its growth requirements.

(B) AMOUNT PROPOSED TO BE TRANSFERRED TO RESERVES & SURPLUS

The Board does not propose any amount to carry to any specific reserves.

(4) SHARE CAPITAL:

Subsequent to March 31, 2021, the Authorized Share Capital of the Company was increased from Rs. 20 crores to Rs. 325 crores, divided into 275 crores Equity Shares of Rs. 1/- each and 50 crores Preference Shares of Rs. 1/- each.

During the year under review, the Paid-up Share Capital of the Company was increased from Rs. 14.55 crores consisting of 1,45,49,077 Equity Shares of Rs. 10/- each and 2,75,000 partly paid-up OCRPS of Rs. 7.50/- each to Rs. 15.49 crores consisting of 1,50,57,237 fully paid-up equity shares of Rs 10/- per share and 4,36,500 partly-paid up OCRPS of Rs. 7.50/- per share. The Company made a call for balance issue price for OCRPS on June 8, 2021 post which 4,00,500 OCRPS were paid and 36,000 OCRPS were forfeited due to non-payment and reissued. In addition, 14,028 OCRPS were issued at Fair Market Value on June 30, 2021. The call was made on reissued OCRPS which was fully paid by July 10, 2021. The Company also decided to mandatorily convert fully paid OCRPS into equity shares as per the terms of issue, to meet the condition of SEBI ICDR Regulations which makes it mandatory that the Company should not have any outstanding convertible securities on the date of issue.

Subsequent to the year end, the Paid-up Share Capital has been increased to Rs. 46.70 crores consisting of 46,70,36,850 equity shares of Rs. 1/- each consequent to corporate actions of Split followed by Bonus issue. Also, Paid-up Capital of preference share has become Nil due to conversion of fully paid OCRPS into equity shares consequent to being fully paid-up.

Post March 31, 2021, the Company infused Rs. 100 crores in FSN Brands Marketing Private Limited, Rs. 25 crores in Nykaa Fashion Private Limited and Rs. 5 crores in FSN International Private Limited as per approval from the Investment Committee and the Board to strengthen their capital base and also provide capital for growth for marketing activities and retail expansion of domestic and international businesses.

(5) <u>MEETINGS OF THE BOARD:</u>

During the year i.e. from April 1, 2020 to March 31, 2021, the Company had held 6 (Six) Board Meetings on April 21, 2020, May 22, 2020, August 20, 2020, November 5, 2020, January 28, 2021 and February 12, 2021.

(6) <u>DIRECTORS & KEY MANAGERIAL PERSONNEL:</u>

The composition of the Board is in compliance with the applicable provisions of the Companies Act, 2013, ("Act") and the rules framed thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR Regulations') and other applicable laws inter alia with respect to appointment of women director, non-executive director(s) and independent director(s).

During the year under review and subsequent to March 31, 2021, the following changes have taken place in the composition of the Board of Directors of the Company.

(a) Appointment of Mr. Sanjay Nayar as an Additional Director of the Company w.e.f. April 9, 2021
(b) Cessation of Mr. Vikram Sud as Director of the Company w.e.f. April 9, 2021
(c) Change in designation of Ms. Falguni Nayar as Executive Chairperson, Managing Director and Chief Executive Officer of the Company w.e.f. February 12, 2021
(d) Change in designation of Mr. Anchit Nayar as an Executive Director of the Company w.e.f. July 1, 2021

(e) Change in designation of Ms. Adwaita Nayar as an Executive Director of the Company w.e.f. July 1, 2021
(f) Cessation of Mr. Akshay Tanna, (Nominee Director of TPG Growth IV SF Pte Limited) from the Board of the Company t w.e.f. July 15, 2021
(g) Cessation of Mr. William Sean Sovak, (Nominee Director of Lighthouse India Fund III Limited) from the Board of the Company w.e.f. July 15, 2021
(h) Cessation of Ms. Padmini Somani, (Nominee Director of Mr. Narotam Sekhsaria) from the Board of the Company w.e.f. July 15, 2021
(i) Cessation of Ms. Shefali Munjal, (Nominee Director of Mr. Sunil Kant Munjal) from the Board of the Company w.e.f. July 15, 2021
(j) Appointment of Ms. Alpana Parida as an Independent Director of the Company for a term of three years w.e.f. July 15, 2021
(k) Appointment of Ms. Anita Ramachandran as an Independent Director of the Company for a term of five years w.e.f. July 15, 2021
(l) Appointment of Mr. Pradeep Parameswaran as an Independent Director of the Company for a term of three years w.e.f. July 15, 2021
(m) Appointment of Mr. Milind Sarwate as an Independent Director of the Company for a term of five years w.e.f. July 15, 2021
(n) Appointment of Mr. Yogesh Mahansaria as an Independent Director of the Company for a term of one year w.e.f. July 26, 2021
(o) Appointment of Mr. Seshashayee Sridhara as an Independent Director of the Company for a term of three years w.e.f. July 26, 2021
(p) Cessation of Mr. Yogesh Mahansaria as Independent Director of the Company w.e.f. July 30, 2021

Your Directors place on record their appreciation for the contributions made by Mr. Vikram Sud, Mr. Akshay Tanna, Mr. William Sean Sovak, Ms. Padmini Somani, Ms. Shefali Munjal and Mr. Yogesh Mahansaria during their tenure.

Pursuant to the approval and recommendation of the Nomination and Remuneration Committee ("NRC") of the Board at its meeting held on April 9, 2021, the Board at its meeting held on April 9, 2021 appointed Mr. Sanjay Nayar as an Additional Director. In accordance with the provisions of Section 161 of the Companies Act, 2013 ('the Act') and of the Articles of Association of the Company, an Additional Director holds office till the ensuing Annual General Meeting.

Mr. Sanjay Nayar is eligible for appointment as a Director of the Company. In view of the above and in terms of the approval of the NRC on August 30, 2021 and the Board at its meeting held on August 31, 2021, it is proposed to appoint Mr. Sanjay Nayar as a director at the ensuing Annual General Meeting ('AGM') of the Company. Requisite Notice under Section 160 of the Act has been received by the Company for appointment of Mr. Sanjay Nayar, who has also filed his consent to act as Director of Your Company, if appointed. Appropriate resolution seeking Your approval to his appointment is appearing in the Notice convening the ensuing AGM of the Company.

The Board has taken into consideration the attributes and qualifications of the Independent Directors provided in Section 149 of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014, while appointing them as Directors of the Company.

The Independent Directors of Your Company have confirmed that they meet the criteria of independence as prescribed under Section 149 of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014, and have included their names in the databank of Independent Directors, as required under Rule 6 of the said Rules. The Independent Directors are also required to undertake online proficiency self-assessment test conducted by The Indian Institute of Corporate Affairs, Manesar ("IICA") within a period of 2 (two) years from the date of inclusion of their names in the data bank, unless they meet the criteria specified for exemption.

Retirement by Rotation

In accordance with the provisions of Section 152 of the Act read with provisions contained in the Articles of Association of the Company, Mr. Milan Khakhar and Ms. Adwaita Nayar will retire by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-election. The Board has recommended their re-election.

Director(s) Disclosure

Based on the declarations and confirmations received from the Directors, none of the Directors of the Company are disqualified from being appointed as Directors of the Company.

Key Managerial Personnel

In accordance with the provisions of Sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the following are the Key Managerial Personnel of the Company:

(i) Ms. Falguni Nayar - Executive Chairperson, Managing Director and Chief Executive Officer (redesignated effective February 12, 2021);
(ii) Mr. Arvind Agarwal - Chief Financial Officer (effective June 1, 2020); and
(iii) Mr. Rajendra Punde – Company Secretary and Compliance Officer (effective November 5, 2020).

During the year under review, Mr. Sachin Parikh resigned as the Chief Financial Officer of the Company with effect from May 22, 2020 and Mr. Pratik Bhujade resigned from the position of Company Secretary with effect from November 5, 2020.

(7) COMMITTEES OF THE BOARD OF DIRECTORS:

(A) AUDIT COMMITTEE

In terms of Section 179 of the Companies Act, 2013, the Board of Directors has constituted an Audit Committee. The Board at its Meeting held on July 30, 2021 re-constituted the Audit Committee. The Committee comprises six Directors as below:

1. Mr. Milind Sarwate (Chairperson)
2. Ms. Anita Ramachandran

3. Ms. Alpana Parida
4. Mr. Seshashayee Sridhara
5. Mr. Milan Khakhar and
6. Mr. Anchit Nayar

Majority of the Members of the Committee are Independent Directors and possess strong accounting and financial management knowledge.

All the recommendations of the Audit Committee were accepted by the Board.

During the year i.e. from April 1, 2020 to March 31, 2021, Audit Committee met 3 times on August 19, 2020, November 3, 2020 and February 9, 2021.

(B) NOMINATION & REMUNERATION COMMITTEE

In terms of Section 178 of the Companies Act, 2013, the Board of Directors has constituted Nomination & Remuneration Committee. The Board at its Meeting held on July 30, 2021 re-constituted the Nomination & Remuneration Committee. The Committee comprises four Directors as below:

1. Ms. Anita Ramachandran (Chairperson)
2. Ms. Alpana Parida
3. Mr. Milan Khakhar and
4. Mr. Falguni Nayar

During the year i.e. from April 1, 2020 to March 31, 2021, Nomination & Remuneration Committee met 4 times on July 16, 2020, August 19, 2020, November 4, 2020 and February 9, 2021.

(C) STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Stakeholders' Relationship Committee was constituted by a resolution of the Board at their meeting held on July 9, 2021. The Committee comprises of three Directors as below:

1. Ms. Alpana Parida (Chairperson)
2. Mr. Anchit Nayar and
3. Ms. Adwaita Nayar

(D) RISK MANAGEMENT COMMITTEE

The Risk Management Committee was constituted by a resolution of our Board dated July 9, 2021 and reconstituted by the Board at its meeting held on July 30, 2021. The Committee comprises of three Members as below:

1. Mr. Sanjay Nayar (Chairperson)
2. Mr. Pradeep Parameswaran and
3. Mr. Sanjay Suri (Chief Technology Officer)

(E) CORPORATE SOCIAL RESPONSIBILITY & ENVIRONMENTAL, SOCIAL AND GOVERNNANCE COMMITTEE

The Corporate Social Responsibility Committee was constituted by a resolution passed by circulation of our Board dated March 4, 2021. It was reconstituted and renamed as Corporate Social Responsibility & Environmental, Social, and Governance Committee by a resolution of our Board dated July 9, 2021. The Committee comprises of three Directors as below:

1. Ms. Anita Ramachandran (Chairperson)
2. Mr. Sanjay Nayar and
3. Ms. Adwaita Nayar

No meeting of the Corporate Social Responsibility Committee was held during the year under review.

(F) FINANCE CUM MANAGEMENT COMMITTEE

The Board of Directors has constituted Finance cum Management Committee for the purpose of overseeing treasury and banking related matters. During the year under review, the Finance cum Management Committee was re-constituted and as at 31st March, 2021, the Committee comprises of four members as below:

1. Ms. Falguni Nayar (Chairperson)
2. Mr. Milan Khakhar
3. Mr. Anchit Nayar and
4. Mr. Arvind Agarwal

During the year i.e. from April 1, 2020 to March 31, 2021, Finance Cum Management Committee met on September 30, 2020.

(G) SHARE ALLOTMENT CUM TRANSFER COMMITTEE

The Board of Directors on November 9, 2016 have constituted a Share Allotment cum Transfer Committee to look into matters pertaining to allotment and transfer of securities of the Company. The Committee comprises of four directors as below:

1. Ms. Anita Ramachandran (Chairperson)
2. Ms. Alpana Parida
3. Ms. Falguni Nayar and
4. Mr. Milan Khakhar

No meeting of the Share Allotment Cum Transfer Committee was held during the year under review.

(H) INTIAL PUBLIC OFFER ('IPO') COMMITTEE

The IPO committee was constituted by a resolution of the Board dated February 12, 2021. It was reconstituted by a resolution of the Board dated July 30, 2021. The Committee comprises of three directors as below:

1. Mr. Sanjay Nayar (Chairperson)
2. Mr. Milan Khakhar and
3. Mr. Anchit Nayar

During the year i.e. from April 1, 2020 to March 31, 2021, two meetings of the IPO Committee were held on March 4, 2021 and March 26, 2021.

(I) FUNDRAISE COMMITTEE

The Fundraise Committee of the Board comprises of the following Directors/Officers as members:

1. Mr. Sanjay Nayar (Chairperson)
2. Mr. Falguni Nayar and
3. Mr. Milan Khakhar

During the year i.e. from April 1, 2020 to March 31, 2021, two meetings of the Fundraise Committee were held on April 21, 2020 and May 22, 2020.

(J) INVESTMENT COMMITTEE

Investment Committee of the Board comprises of the following Directors/Officers as members:

1. Mr. Milind Sarwate (Chairperson)
2. Ms. Falguni Nayar
3. Mr. Anchit Nayar and
4. Mr. Arvind Agarwal

No meeting of the Investment Committee was held during the year under review.

(8) POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION:

The current policy is to have an appropriate mix of executive, non-executive and independent Directors to maintain the independence of the Board and separate its functions of governance and management. The Nomination & Remuneration Committee has been mandated by the Board of Directors of the Company to lay down the criteria and policy for determining qualifications, positive attributes and independence of Directors (including Independent Directors). The Company endeavors to have on its Board an optimum balance of skills, experience and diversity of perspectives appropriate to the Company.

(9) BOARD EVALUATION:

Your Company firmly believes that it is the collective effectiveness of the Board that enhances the Company's efficiency and performance. Board performance will be assessed against the roles and responsibilities of the Board as provided in the Companies Act, 2013 and SEBI LODR Regulations. The parameters for Board performance evaluation will be to ensure Board's fiduciary role to protect and enhance shareholder value.

(10) SUBSIDIARIES / JOINT VENTURE / ASSOCIATE COMPANIES:

As on 31st March, 2021, the Company has four wholly owned subsidiaries viz. (i) FSN Brands Marketing Private Limited, (ii) Nykaa E-Retail Private Limited, (iii) Nykaa Fashion Private Limited, and (iv) FSN International Private Limited and one subsidiary viz. Nykaa-KK Beauty Private Limited.

Subsequent to the year end, the Company incorporated FSN Distribution Private Limited on 30th July, 2021 for the principal business of distribution and logistics of beauty and cosmetic products. The Company also incorporated two wholly owned subsidiaries of FSN International Private Limited, namely, FSN Global FZE in Dubai on June 21, 2020 and Nykaa UK International Limited, London on November 15, 2020.

The Company does not have any associate companies in accordance with the provisions of the Companies Act, 2013.

PERFORMANCE AND FINANCIAL POSITION OF THE SUBSIDIARIES

Nykaa E-Retail Private Limited was incorporated on February 22, 2017 and is a 100% subsidiary of Your Company. The Company is primarily engaged in the online B2C sales for multiple categories of products like beauty, wellness etc. through Nykaa.com and NykaaMan.com for brand owned and imported by group companies and third party brands. During the year under review, its revenue from operations was Rs. 220,360 Lakhs. The net profit after taxation was Rs. 9,126 Lakhs.

Nykaa Fashion Private Limited was incorporated on February 4, 2019 and is a 100% subsidiary of Your Company. The Company is engaged in the online platform based B2C sales for fashion and other brands including manufacturing as well as import of products under private label brands. During the year under review, its revenue from operations was Rs. 14,377 Lakhs. The net loss after taxation was Rs. 2,378 Lakhs.

FSN Brands Marketing Private Limited was incorporated on February 19, 2015 and is a 100% subsidiary of Your Company. The Company is primarily engaged in the offline retail store business for B2C sales of other brands including distribution of imported brands. During the year under review, its revenue from operations was Rs 23,328 Lakhs. The net loss after taxation was Rs. 2,113 Lakhs.

FSN International Private Limited was incorporated on December 10, 2019 and is a 100% subsidiary of Your Company. The Company plans to be engaged in business and is authorised to conduct international imports and exports (work-in-progress) via Nykaa Global Store support and other international distribution channels. During the year under review, its revenue from operations was Rs. 1 Lakh. The net loss after taxation was Rs. 12 Lakhs. FSN International has two wholly owned subsidiaries for conducting international business.

Nykaa-KK Beauty Private Limited was incorporated on July 18, 2018 and Your Company holds 51% shares in it. The Company is involved in the business of manufacturing of private label Kay Beauty brands which is then sold via online and offline channels through group companies and through other distribution channels. During the year under review, its revenue from operations was Rs. 2,134 Lakhs. The net profit after taxation was Rs. 20 Lakhs.

In terms of Section 129(3) of the Companies Act, 2013, the consolidated financial statements of the Company are laid before the ensuing Annual General Meeting. A report on the performance and financial position of each of the subsidiaries, as per the Companies Act, 2013, is provided as 'Annexure – A' in Form AOC-1.

(11) ANNUAL RETURN:

As per provisions of Section 92(3) and Section 134(3)(a) of the Act as amended from time to time, the Annual Return in Form MGT-7 is available on the Company's website and can be accessed at https://www.nykaa.com/investor-relations.

(12) PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS:

During the year, Your Company has not made any investment or given any loan or provided any guarantee or security as prescribed under section 186 of the Companies Act, 2013.

(VI) PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

All contracts or arrangements entered into by Your Company with its related parties during the financial year were in accordance with the provisions of the Companies Act, 2013. All such contracts or arrangements, were approved by the Audit Committee and were in the ordinary course of business , on an arm's length basis.

Your Directors draw attention of the Shareholders to Note 38 of the financial statements which sets out related party disclosures.

(13) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Considering the nature of business of Your Company, the particulars with respect to conservation of energy and technology absorption required as per Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014, are not applicable to the Company.

The foreign exchange earnings and outgo are as below:

Foreign Exchange earnings and outgo:

	2020-21	2019-20
Earnings in Foreign Exchange:	NIL	NIL
Expenditure in Foreign Exchange:	Rs. 840.00 Lakhs	Rs. 4,456.41 Lakhs

(14) CORPORATE SOCIAL RESPONSIBILITY (CSR):

The Annual Report on CSR activities of Your Company as required under Section 134(3)(o) read with Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules), is provided in 'Annexure – B' to this Report.

(15) RISK MANAGEMENT:

The Board has duly identified risk(s) associated with the operation and functioning of the Company. The Board of Directors of the Company reviews the operation and financial position, from time to time.

Your Company has a risk management framework in place. The risk management framework works at various levels across the enterprise. These levels form the strategic defence cover of the Company's risk management. The Company has an organizational structure for managing and reporting on risks.

(16) INTERNAL FINANCIAL CONTROL SYSTEMS:

The Company has in place adequate internal financial controls with reference to the financial statements commensurate with the size and volume of business of the Company. During the year under review, such controls were tested by the Statutory Auditors of the Company and no material weaknesses in the design or operations were observed and reported by the Statutory Auditors.

(17) STATUTORY AUDITORS:

Pursuant to the provisions of Section 139 of the Act and the Rules framed thereunder, M/s V. C Shah & Co., Chartered Accountants, Mumbai, were appointed as Statutory Auditors of the Company from the conclusion of 8th Annual General Meeting (AGM) of the Company till the conclusion of 13th AGM to be held in the FY 2024-25.

During the year under review M/s S.R Batilboi & Associates LLP, Chartered Accountants were appointed as Joint Auditor of the Company by the shareholders in the general meeting held on March 8, 2021 till the ensuing AGM.

Your Directors, subject to approval of the shareholders of the Company, have proposed to appoint M/s S.R Batilboi & Associates LLP, Chartered Accountants as Auditor of the Company to hold office from the conclusion of 9th Annual General Meeting (AGM) of the Company till the conclusion of 14th AGM to be held in the FY 2026-27. M/s S.R Batilboi & Associates LLP, Chartered Accountants have confirmed their eligibility and necessary certificates as required under the Companies Act, 2013 have been received from them.

(18) EXPLANATION TO REMARKS: IN THE STATUTORY AUDITORS' REPORT

The statutory audit report for the year 2020-21 does not contain any qualification, reservation or adverse remark or disclaimer made by Statutory Auditors.

(19) SECRETARIAL AUDIT:

The provisions of Section 204 pertaining to Secretarial Audit were not applicable to the Company during the year under review.

(20) MAINTENANCE OF COST RECORDS:

The provisions pertaining to maintenance of cost records as specified by the Central Government under subsection (1) of section 148 of the Companies Act, 2013, are not applicable to the Company.

(21) REPORTING OF FRAUDS BY AUDITORS:

During the year under review, there were no frauds reported by the Auditors to the Audit Committee or the Board under section 143(12) of the Act.

(22) PARTICULARS OF EMPLOYEES:

The Company being an unlisted Company, disclosure of names and other particulars of top ten employees in terms of remuneration drawn per provisions of Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable.

(23) PARTICULARS OF DEPOSITS:

The Company has not accepted any deposits *(under Rule 2[c] of the Companies [Acceptance of Deposits] Rules, 2014)* within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 during the year under review.

(VII) DIRECTORS' RESPONSIBILITY STATEMENT:

As required under section 134(3)(c) read with 134(5) of the Companies Act, 2013, the Directors confirm that:

(a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
(b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and profit of the Company for that period;

(c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
(d) The Directors had prepared the annual accounts on a going concern basis;
(e) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively ; and
(f) The Directors have laid down internal financial controls on financial statements and such internal financial controls are adequate and were operating effectively.

(24) DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

It is the continuous endeavor of Your Company to create and provide an environment free from discrimination and harassment including sexual harassment for all its employees .

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and conclusively handled during the year 2020-21:

Particulars	Number of Complaints
Number of complaints received	1
Number of complaints disposed off	1
Number of complaints pending as on end of the financial year	Nil

(25) EMPLOYEES STOCK OPTION SCHEME (ESOS):

The Company had introduced "ESOS 2012 & 2017" to enable the employees of the Company to participate in the growth and financial success of the Company.

A total of 84,700 (pre-split) Stock Options were issued to 108 employees during the financial year 2020-21. At the end of the year, 2,06,107 (pre-split) options are outstanding. During the year, paid-up capital of the Company increased by 3,65,824 (pre-split) number of shares upon exercise of options granted. There is no material change in the ESOS and it is in compliance with the provisions of SEBI (Share Based Employee Benefits) Regulations, 2014, as amended from time to time and other applicable provisions of law.

The disclosure as required under the said Rules is enclosed herewith as 'Annexure – C' to this report.

(26) MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A detailed analysis of Your Company's performance is discussed in the Management Discussion and Analysis Report, which forms part of this Directors' Report as 'Annexure – D".

(27) CORPORATE GOVERNANCE:

Your Company is committed to sound Corporate Governance principles and practices and constantly strives to adopt emerging best practices.

It has always been the Company's endeavor to excel through better Corporate Governance and fair and transparent practices.

The Board of Directors of the Company has implemented the best management practices and Corporate Governance commensurate with the size and nature of operations of the Company. A Report on Corporate Governance forms part of this Report as 'Annexure – E'.

(28) VIGIL MECHANISM:

The Vigil Mechanism as envisaged in the Companies Act, 2013, the Rules prescribed thereunder and the SEBI LODR Regulations is/will be implemented through the Company's Vigil Mechanism/Whistle Blower Policy to enable the Directors, employees and all stakeholders of the Company to report genuine concerns, to provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee.

(29) HUMAN RESOURCE DEVELOPMENT:

In this extraordinary year of pandemic, Your Company continued to stay focused on the health and wellbeing of its employees. Key initiatives included insurance coverage extension for home healthcare services, availability of the Company's doctor and providing logistics support to employees for essential services. In addition, we are pleased to report that during the Covid Pandemic, Your Company did not implement any reduction in work force and any reduction/pay-cuts in salaries payable to its employees and also took various initiatives to keep employees engaged with increased connect sessions with leaders, third party counselling services and other initiatives focused on improving the employees' resilience and wellbeing.

The Board is pleased to report that considering the challenges faced due to the pandemic nationwide, Promoters and Employees of the Company voluntarily contributed to the relief efforts of the PM Cares fund.

The organization culture is one of the main levers that drives our business and one of the most significant initiatives in 2020-21 was the launch of Nykaa Values across the Company. Employees are regularly reminded about Nykaa Values and acceptable and non-acceptable behaviours through various forums like onboarding, mail communications, town halls, and team meetings.

This year the Company's Digital Learning Intensity has increased significantly to drive a culture of continuous learning and employees have benefited through our partnership with digital platforms.

The Company continued its track record of accelerated hiring to cope with growth by embracing online hiring, conducting virtual interviews and hiring over 500 employees during the year. The Company's investment in strategic leadership hiring deepened to strengthen management capability at CXO and next levels. The Company's sustained efforts to build diverse & gender inclusive culture have resulted in women currently accounting for 47 percent of the workforce.

(30) ENVIRONMENT AND SAFETY:

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires conduct of operations in such a manner, so as to ensure safety of all concerned, compliances of environmental regulations and preservation of natural resources. During the year the Company undertook various environment friendly initiatives such as introduction of eco-friendly packaging material, LDP Recycling agreement with "Recykal" in line with Extended Producer Responsibility (EPR) guidelines for recycling of plastic waste and redesigning packaging to reduce plastic waste. Scrap disposal is in line with industry benchmarks.

(31) SECRETARIAL STANDARDS:

The Secretarial Standards SS-1 and SS-2 issued and notified by the Institute of Company Secretaries of India has been complied with by the Company during the financial year under review.

(32) SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS:

Your Company and Ms. Falguni Nayar have filed a compounding application dated May 20, 2021 before The Regional Director, Western Region, Ministry of Corporate Affairs / The National Company Law Tribunal, Mumbai under section 441 of the Companies Act, in relation to appointment of the statutory auditor of our Company for a period of one year i.e. Financial Year 2019-20 at the seventh annual general meeting of the shareholders of our Company held on July 12, 2019, which was not in compliance with the provisions of Section 139 of the Companies Act and the rules promulgated thereunder. This matter is currently pending.

Your Company has filed an application for adjudication dated May 20, 2021 before The Central Government / The Registrar of Companies, Maharashtra at Mumbai under section 454 of the Companies Act, in relation to a delay of 238 (i.e. from June 9, 2014 to February 2, 2015) days in appointment of a whole-time Company secretary of our Company, which was not in compliance with the provisions of Section 203 of the Companies Act and Rule 8A of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. This matter is currently pending.

(33) GENERAL:

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

(a) Issue of equity shares with differential rights as to dividend, voting or otherwise.
(b) Voting rights which are not directly exercised by the employees in respect of shares for the subscription/ purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under section 67(3)(c) of the Companies Act, 2013).
(c) There has been no change in the nature of business of Your Company.
(d) No application was made or any proceeding is pending under the Insolvency and Bankruptcy Code, 2016 during the year in respect of Your Company.
(e) There was no one time settlement of loan obtained from the Banks or Financial Institutions.

(34) ACKNOWLEDGEMENTS:

The Board wishes to place on record its appreciation for the assistance, cooperation and encouragement extended to the Company by the Company's customers, brands and bankers.

The Directors take this opportunity to place on record their warm appreciation for the valuable contribution, untiring efforts and spirit of dedication demonstrated by the employees and officers at all levels, in the sure and steady progress of the Company, despite the unprecedented challenges posed by the Covid pandemic. The Directors would also like to thank the shareholders for their support and contribution. We look forward to their continued support in future.

For and on behalf of the Board of Directors

Sd/-
Falguni Nayar
Executive Chairperson,
Managing Director & CEO
DIN:- 00003633

Place: Mumbai
Date : 31st August, 2021

Annexure - A

Form AOC-1
(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

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

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs. Lakhs)

Sr. No.	Particulars	Details	Details	Details	Details	Details
1	Name of the subsidiary	FSN Brands Marketing Pvt. Ltd.	Nykaa E-Retail Pvt. Ltd.	Nykaa-KK Beauty Pvt. Ltd.	Nykaa Fashion Pvt. Ltd.	FSN International Pvt. Ltd.*
2	The date since when the subsidiary was acquired	(since incorporation)	(since incorporation)	(since incorporation)	(since incorporation)	(since incorporation)
3	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	31.03.2021	31.03.2021	31.03.2021	31.03.2021	31.03.2021
4	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	N.A.	N.A.	N.A.	N.A.	N.A.
5	Share capital	200.00	951.00	100.00	1.00	10.00
6	Reserves & surplus	(6,147.51)	10,819.07	173.59	(3,681.21)	(25.54)
7	Total assets	34,834.29	62,402.56	2,178.42	8,970.02	23.28
8	Total Liabilities	40,781.80	50,632.50	1,094.83	12,650.23	38.82
9	Investments	NIL	NIL	NIL	NIL	NIL
10	Turnover	23,539.58	220,500.68	2,140.53	14,381.03	1.24
11	Profit /(Loss) before tax	(3,807.57)	11,946.28	41.73	(3,182.09)	(16.03)
12	Provision for taxation -Current Tax -Deferred Tax	 - (1,696.87)	 3,825.80 (1,005.67)	 25.13 (3.01)	 - (803.63)	 - (4.03)
13	Profit / (Loss) after tax	(2,110.70)	9,126.15	19.61	(2,378.46)	(12.00)
14	Proposed Dividend	NIL	NIL	NIL	NIL	NIL
15	% of shareholding	100%	100%	51%	100%	100%

*On consolidated basis including its wholly owned subsidiary i.e. FSN Global FZE

Notes: The following information shall be furnished at the end of the statement:
1. Names of subsidiaries which are yet to commence operations – Nykaa UK International Limited (Subsidiary of FSN International Private Limited)
2. Names of subsidiaries which have been liquidated or sold during the year.

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures : *Not Applicable*

Name of associates/Joint Ventures			
1. Latest audited Balance Sheet Date			
2. Shares of Associate/Joint Ventures held by the Company on the year end			
i. Number			
ii. Amount of Investment in Associates/Joint Venture			
iii. Extend of Holding%			
3. Description of how there is significant influence			
4. Reason why the associate/joint venture is not consolidated			
5. Net worth attributable to shareholding as per latest audited Balance Sheet			
6. Profit/Loss for the year			
i. Considered in Consolidation			
ii. Not Considered in Consolidation			

Notes :- The following information shall be furnished at the end of the statement.
1. Names of associates or joint ventures which are yet to commence operations : *None*
2. Names of associates or joint ventures which have been liquidated or sold during the year : *None*

Note : This Form is to be certified in the same manner in which the Balance Sheet is to be certified.

For and on behalf of the Board of Directors

Sd/-
Falguni Nayar
Executive Chairperson,
Managing Director & CEO
DIN: 00003633

Sd/-
Milan Khakhar
Director
DIN: 00394065

Sd/-
Arvind Agarwal
Chief Financial Officer

Sd/-
Rajendra Punde
Company Secretary
ACS M.No.A9785

Place: Mumbai
Date: 08 June, 2021

Annexure - B

Annual Report on CSR Activities
March 31, 2021
[Pursuant to Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014]

1. **A brief outline of the Company's CSR policy, including an overview of projects or programs proposed to be undertaking and a reference to the web-link to the CSR Policy and projects or programs**:

   Overview:

   (i) Outline of CSR Objectives –

   The Corporate Social Responsibility Committee ('CSR Committee') is in the process of formulating the Corporate Social Responsibility Policy ('CSR Policy') of the Company, aligned with the long-term plans of the Company for CSR activities. Basis recommendations of the CSR Committee, the CSR Policy will be placed before the Board for its approval and subsequently on the Company's website. A broad outline of the Company's CSR objectives is as under.

   As an integral part of good corporate citizenship, we at FSN E-Commerce Ventures Ltd (**Nykaa Group**) shall focus our CSR efforts on interventions that stem from our Mission, Vision and Values. At the core, our commitment is to work towards driving a more inclusive India with actions focused on People, Environment and Communities. We shall always respect the interests of and be responsive towards our key stakeholders - the communities our business operates in, those from socially and economically backward Groups, the underprivileged and marginalized, as well as the society at large. We shall strive to create meaningful impact and outcomes of our CSR efforts through judicious investment in and utilization of financial and human resources. We shall engage in synergistic stakeholder partnerships for higher outreach creating further positive impact.

   (ii) CSR Projects: **COVID Relief**: Support for marginalized communities; Front line workers support; Medical and hospital infrastructure; Vaccination support.

2. **Composition of CSR Committee**: The Board constituted the CSR Committee of the Company on March 04, 2021. As on March 31, 2021, the CSR Committee comprised (i) Ms. Anita Ramachandran, Chairperson of the Committee; (ii) Ms. Padmini Somani; and (iii) Ms. Adwaita Nayar.

3. **Average Net Profit of the Company for last three financial years: Rs. 358 Lakhs**

4. **Prescribed CSR Expenditure (2% of the amount as in item 3 above): Rs. 7.16 Lakhs**

5. **Details of CSR Spend during the financial year**: During the Year, your Company's Corporate Social Responsibility initiatives were primarily focused on contributing to the fight against the COVID pandemic. An amount of Rs. 8.50 Lakhs was spent towards various schemes of CSR as

prescribed under Section 135 of the Act. The prescribed CSR expenditure required to be spent in FY 2020-21 as per the Act is Rs. 7.16 Lakhs.

(a) Total amount to be spent for the financial year: Rs. 7.16 Lakhs

(b) Amount unspent, if any: Not applicable

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

(Amount in Rs. Lakh)

Sr. No.	**CSR Project or activity identified**	**Sector in which the project is covered**	**Projects or programs (1)Local area or other (2)Specify the state and district where projects or programs were undertaken**	**Amount outlay (budget) project or program wise**	**Amount spent on projects or programs subheads: (1)Direct expenditure on projects or programs. (2)Overheads**		**Cumulative expenditure up to the reporting period**	**Amount spent: Direct or through implementing agency**
					Direct	**Overheads**		
1.	Food grains distribution in warehouses	Ration Distribution at warehouses	Delhi	-	3.50	-	3.50	Direct
2.	Covid Relief	Ration & PPE kits to senior citizens	Delhi	-	5.00	-	5.00	Implementing agency (Dignity Foundation)
3.	**Total**				**8.50**	**-**	**8.50**	

6. **In case the Company has failed to spend the 2% of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount:** Not Applicable

7. **Responsibility Statement of the CSR Committee:** The CSR Committee states that the implementation of CSR activities of the Company is in compliance with the CSR objectives of the Company.

Sd/-
Adwaita Nayar
Director
DIN: 07931382
(Member)

Mumbai, April 29, 2021

Sd/-
Ms. Anita Ramachandran
Director
DIN: 00118188
(Chairperson - CSR Committee)

Mumbai, April 29, 2021

Annexure - C

DISCLOSURES UNDER (ESOS)

(a) options granted: **84,700**
(b) options vested: **1,14,908**
(c) options exercised: **3,65,824**
(d) the total number of shares arising as a result of exercise of option; **3,65,824**
(e) options lapsed; **21,855**
(f) the exercise price: **Rs. 97.40/-, Rs. 100/-, Rs. 357.95/-, Rs. 650/-, Rs. 1,382/-, Rs. 2,213.23/-, Rs. 3,530/- and Rs. 3,862.61/-**
(g) variation of terms of options: **During the year under review, the Company increased the exercise period of ESOPs under the employee stock option scheme- ESOS 2012 & 2017 from 3 years to 4 years**
(h) money realized by exercise of options; **Rs. 17,77,48,858/-**
(i) total number of options in force; **2,06,107**
(j) employee wise details of options granted to:

(i) Key managerial personnel.

Sr. No.	Names	Designation	Options granted
1	Arvind Agarwal	Chief Financial Officer	4,000
2	Rajendra Punde	Head – Legal and Company Secretary	1,000

(ii) any other employee who receives a grant of options in any one year of option amounting to five per cent or more of options granted during that year. **NIL**

Sr. No	Name	Designation	Options granted
	N.A		

(iii) identified employees who were granted option, during any one year, equal to or exceeding one per cent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. **NIL**

For and on behalf of the Board of Directors

Sd/-
Falguni Nayar
Executive Chairperson,
Managing Director & CEO
DIN:- 00003633

Place: Mumbai
Date : 31st August, 2021

Annexure - D

Management Discussion and Analysis

Forward Looking Statements

Statements in this Management Discussion and Analysis of financial condition and results of operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no responsibility to publicly amend, modify or revise forward-looking statements on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include changes in Government regulations, tax laws, economic developments within the country and such other factors globally. The financial statements of the Company are prepared under historical cost convention, on accrual basis of accounting and in accordance with the provisions of the Companies Act, 2013 (the "Act") and comply with the Indian Accounting Standards specified under Section 133 of the Act. The management of FSN E-Commerce Ventures Limited ("FSN" or "the Company") has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the state of affairs and profit for the year. The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the annual report. Unless otherwise specified or the context otherwise requires, all references herein to "we", "us", "our", "the Company", or "FSN" are to FSN E-Commerce Ventures Limited and its subsidiary companies.

India Macroeconomic Factors

Between 2015 and 2019, India's real GDP grew at an average of 7% year-on-year. The first wave of the COVID-19 pandemic severely impacted economic activities in 2020.

India witnessed the onset of the second wave of the COVID-19 pandemic in April 2021. However, due to the localized nature of lockdowns, vaccination drives, and limited disruption of supply chain resulted in a relatively low impact on economic activity. As a result, the IMF has projected a growth of 9.5% in real GDP in the year 2021. As per IMF forecasts, the GDP (at current prices) is projected to reach approximately ₹305 trillion (US$4.2 trillion) by 2025. India is projected to become the third largest economy in the world by 2030 according to the Centre for Economics and Business Research.

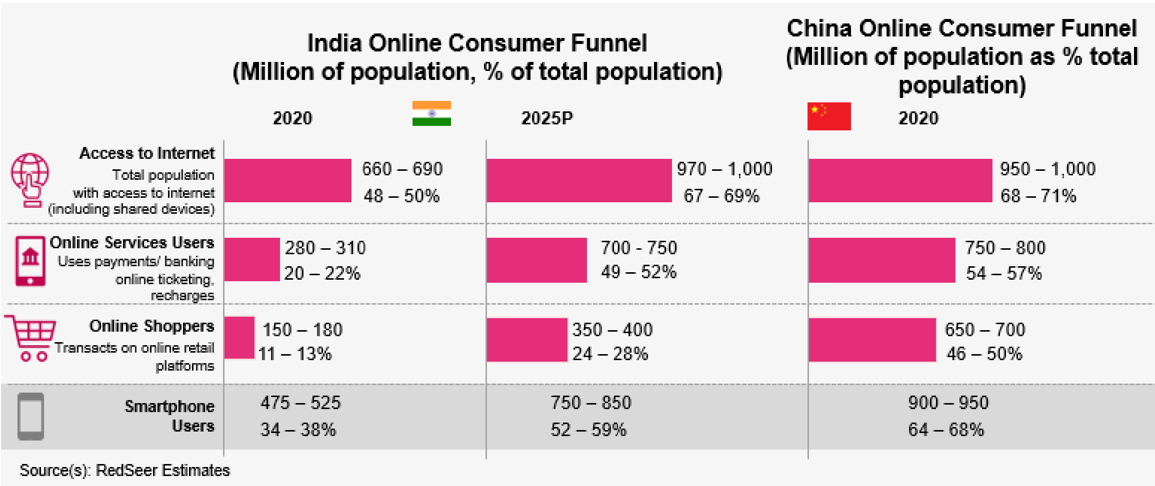
Rising Per Capita Income and Consumption

India's per capita income grew at 7.3% CAGR between 2015 and 2019 as per World Bank estimates. In January 2019, The World Economic Forum estimated India to be the third largest consumer market by 2030 driven by development of infrastructure, education, capex spending by the Government, and job opportunities.

India Digitization Trends

India will continue to grow across the digital funnel, owing to affordability of internet, improvements in telecommunications infrastructure, increased adoption from Tier 2+ cities, rising popularity of social media, competitively priced online offerings and growing adoption of online payment platforms.

E-commerce penetration in India grew 1.6x from 3% in 2019 to 5% in 2020, with a large headroom ahead as indicated by the higher penetration in the developed markets.



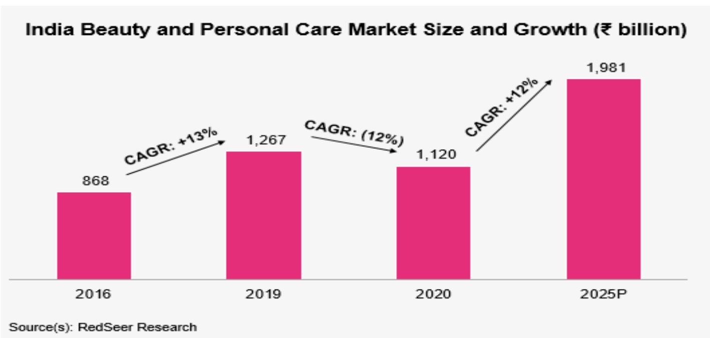
India Retail Industry

India's retail market was sized at ₹63 trillion in 2019, reflecting a CAGR of 11% over the last 3 years. India's retail sector was impacted by the first wave of COVID-19, leading to a 14% decline in the retail market size in 2020. The retail market is expected to bounce back in the coming years.

The discretionary portion of the retail market was sized at ₹21 trillion in 2019. Fashion and BPC combined, accounted for 35% of the discretionary retail space in India in 2020.

India Beauty and Personal Care Market

The Beauty and Personal Care Market in India was sized at INR 1,267 billion in 2019, growing at a CAGR of 13% in the last 3 years. Though the market fell down to INR 1,120 billion in 2020 as a result of reduced spending during the first COVID-19 wave, it is projected to grow at a healthy rate.



Challenges in Traditional Beauty and Personal Care Retail in India

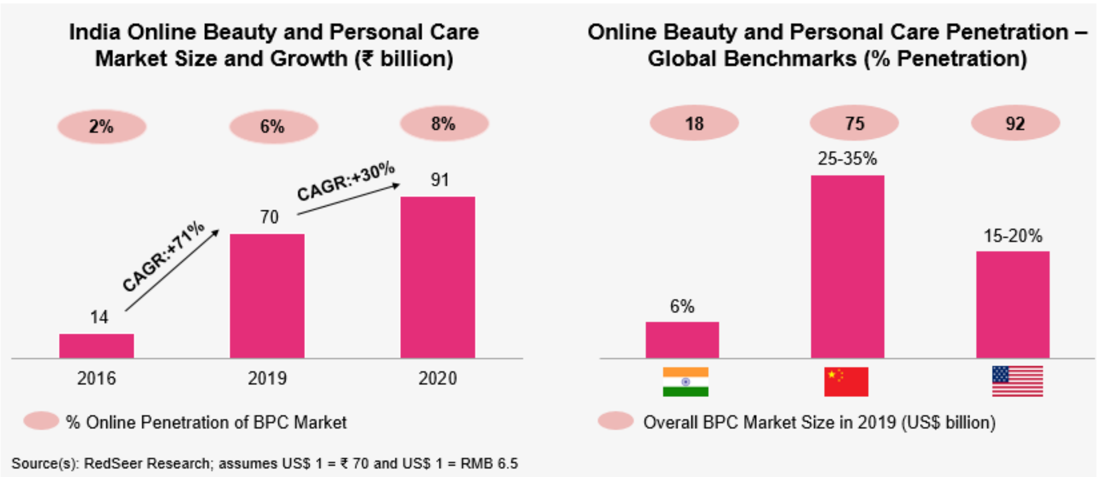
Traditional physical BPC retail in India fails to address key consumer pain points. Consumers are restricted to choose from limited products in stores and often find their desired products to be out-of-stock. With proliferation of counterfeit products, consumers are concerned about product authenticity. Prestige brands are generally available in premium locations, thus limiting consumer access. Traditional BPC retail is also largely transactional, due to limited content and advice to facilitate discovery.

On the other hand, brands struggle to reach consumers pan-India. Additionally, due to the presence of multiple intermediaries in the traditional value chain, there is significant margin leakage and inefficiency in product flow. Smaller brands face challenges to scale up in the traditional model given limited capital and unfavorable trade terms with distributors.

India Online Beauty and Personal Care Market

Online Beauty and Personal Care Market in India has grown at promising 60% CAGR in the last 4 years, penetrating 8% of the India Beauty and Personal Care Market in 2020 to reach market size of ₹91 billion. Growing online shopping penetration in Tier 2+ cities, rising affinity for branded products available online, increasing need for convenient shopping experience and increasing consumer trust are the key drivers of growth in the market. There is a large headroom ahead for further penetration in India, as suggested by higher penetration in the developed markets such as the United States and China.

Increase in the online AOV has been key to the sector's growth. The rise in AOV is attributed to the wider acceptance of BPC as a key e-commerce category by Indian consumers in the last 3-4 years. This trust has enabled consumers to shop for prestige BPC products and newer product categories.



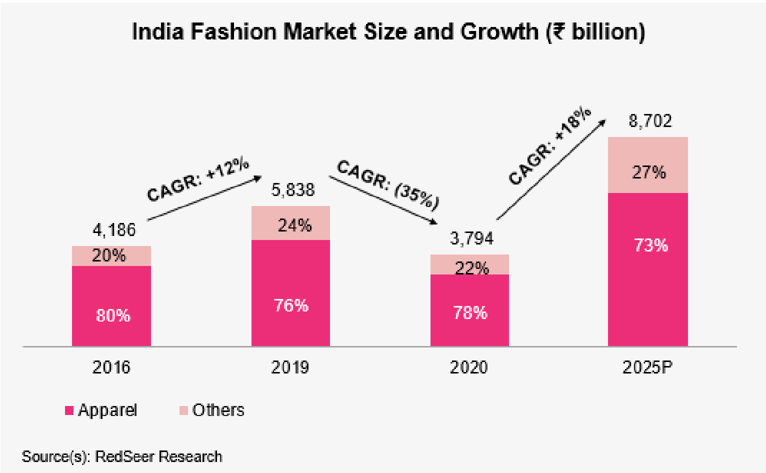
Omnichannel Model in Indian Beauty and Personal Care Market

An omnichannel approach, by supplementing online platforms with a physical retail presence, provides consumers with a complete shopping journey and retail experience. Offline stores play an important role in establishing a stronger trust among the consumers and the touch and feel elements become crucial in certain specialized BPC categories. Presence across online and offline channels expands the modes of acquiring consumers and provides flexibility with respect to logistics while simultaneously increasing delivery options for consumers.

India Fashion Market

The size of the Fashion Market in India was ₹5,838 billion in 2019. It declined by 35% in 2020 during the first COVID-19 wave, driven by the reduction in discretionary spending and disruption in supply chain due to the lockdown. The Fashion Market in India is projected to recover strongly. Apparel is projected to continue driving approximately 73% of the market in 2025.

The current market is underserved as most traditional retailers try to serve a broad demographic and are slow in reacting to changing trends. The organized segment has grown at a much faster pace when compared to the unorganized segment, as its share jumped from 29% in 2016 to 38% in 2019.



Challenges in Traditional Fashion Retail in India

Consumers often find their desired fashion products to be out of stock at offline stores. Space constraints tend to limit the assortment that an offline store can hold, leading to limited choice for the consumer.

Fashion brands struggle to reach prospects and markets through an offline channel due to infrastructure constraints. The need for manual labor, high inventory management cost and complex billing process lead to operational inefficiencies which reduce margins. New and smaller fashion sellers find it difficult to compete with the established brands due to financial and supply chain barriers.

Our Business

Overview

We are a digitally native consumer technology platform, delivering a content-led, lifestyle retail experience to consumers. Since our incorporation in 2012, we have invested both capital and creative energy towards designing a differentiated journey of brand discovery for our consumers. We have a diverse portfolio of beauty, personal care and fashion products, including our owned brand products manufactured by us. As a result, we have established ourselves not only as a lifestyle retail platform, but also as a popular consumer brand. We offer consumers an Omnichannel experience with an endeavor to cater to the consumers' preferences and convenience:

Online: Our online channels include mobile applications, websites and mobile sites. As of March 31, 2021, we had cumulative downloads of 43.7 million across all our mobile applications and during the Financial Year 2021, 86.7% of our online GMV came through our mobile applications. According to the RedSeer Report, we have one of the highest share of mobile application-led transactions, among the leading online retail platforms in India during Financial Year 2021.

Offline: Our offline channel comprises of 73 physical stores across 38 cities in India over three different store formats as of March 31, 2021. Our physical stores offer a select offering of products as well as a seamless experience across the physical and digital worlds.

Our lifestyle portfolio spans across beauty, personal care and fashion products. We believe that consumers have different journeys for different lifestyle needs, and this has led us to build business vertical-specific mobile applications, websites and physical stores. These independent channels allow us to tailor our content and curation optimally for the convenience of consumers and to cater to the different consumer journeys that exist in these business verticals:

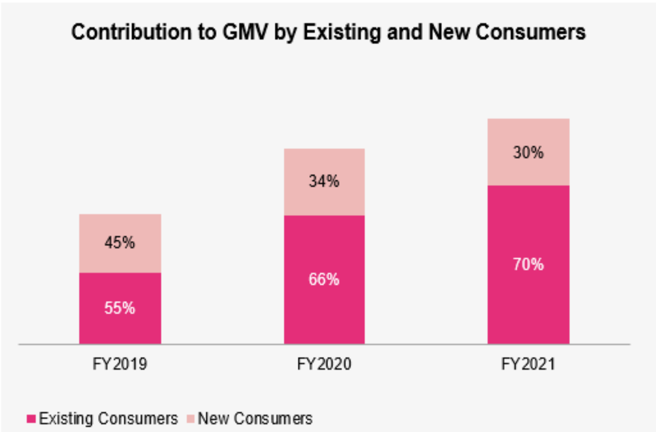
- Nykaa: Beauty and personal care
- Nykaa Fashion: Apparel and accessories

In addition to leveraging our strengths in comprehensive merchandising, brand relationships and delivery experience, we focus on inspiring and educating consumers via digital content, digital communities and tech-product innovations, which is an integral component of our business model.

Significant Factors Affecting Our Results

Our Ability to Attract New Consumers, Retain Existing Consumers and Increase Repeat Purchases

Our success, and our revenue growth in particular, is significantly dependent on our ability to continually attract New Consumers, retain Existing Consumers and cultivate loyalty, including through increasing repeat purchases. We observe a high level of loyalty for our platform among consumers, with over a majority of our GMV stemming from Existing Consumers for each of the last three financial years. Our high consumer centricity is reflected in our strong consumer retention and GMV contribution behaviour. The chart below depicts the contribution to GMV from New Consumers and Existing Consumers by Financial Year on our beauty and personal care website and mobile application.

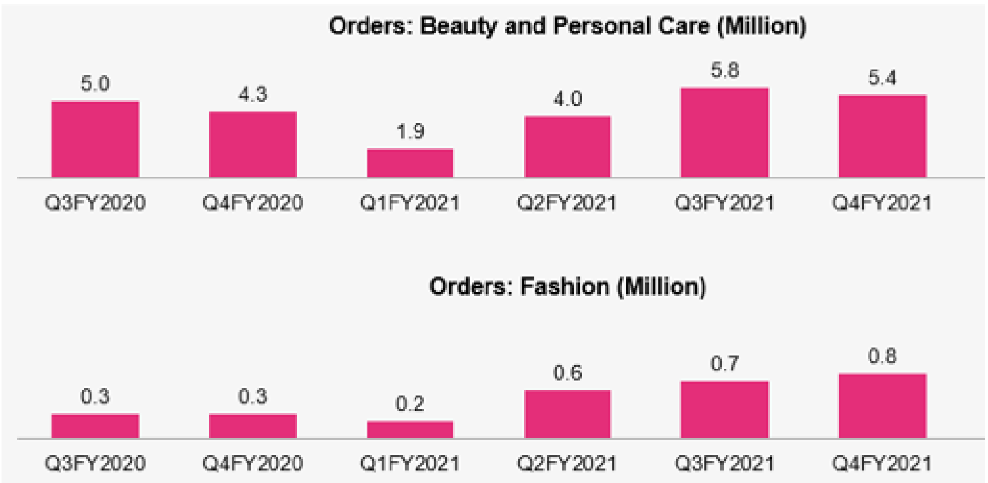


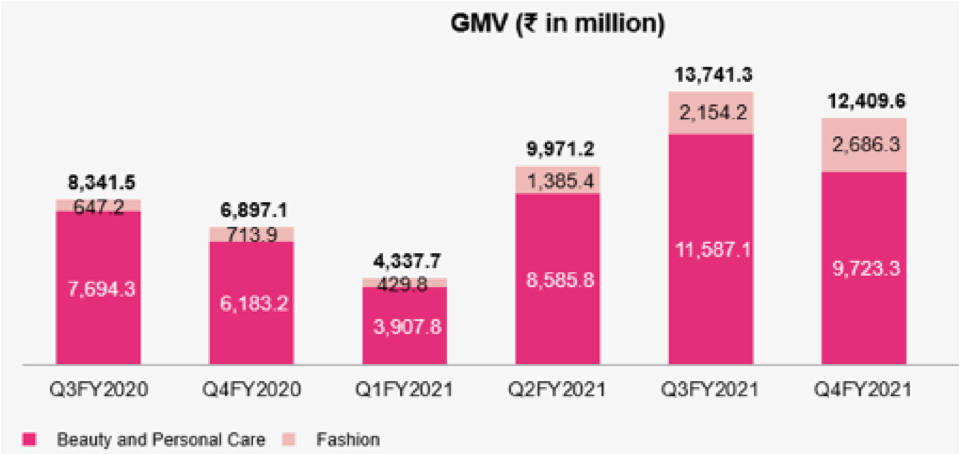
Our Annual Unique Transacting Consumers have increased from 3.5 million in the Financial Year 2019 to 5.6 million in the Financial Year 2021 for our beauty and personal care vertical and from 2,637 in the Financial Year 2019 to 0.6 million in the Financial Year 2021 for our fashion vertical. These indicators have led to an increase in our revenue from operations over the years, and their respective growth rates have primarily been driven by the growing popularity and recognition of brands on our Nykaa lifestyle platform, increasing assortment of products and stronger consumer engagement. We expect continued growth in our consumer base and purchasing activities, as well as increased overall consumer engagement with our product offerings, which we expect will contribute to increase in our total income in absolute terms in the foreseeable future.

Number of Orders, AOV and GMV

The number of Orders placed on our platform is largely driven by our base of consumers, mix of products and brands that are sold on our platforms. Our number of Orders has grown from (i) 11.0 million in the Financial Year 2019 to 17.1 million in the Financial Year 2021 for our beauty and personal care vertical, and (ii) 0.4 million in the Financial Year 2019 to 2.4 million in the Financial Year 2021 for our fashion vertical. Our total GMV has been growing consistently over the last three Financial Years, from Rs.16,500.8 million in the Financial Year 2019 to Rs.40,459.8 million in the Financial Year 2021, across beauty and personal care and fashion products. An increase in Orders and GMV on our platforms generally results in an increase in our revenues from operations.

The COVID-19 outbreak led to government imposed country-wide lockdowns, restrictions on travel and business operations. We experienced lower Orders and GMV in the fourth quarter of the Financial Year 2020 and first quarter of the Financial Year 2021 primarily due to the lockdown restrictions imposed owing to COVID-19 pandemic. Following the first quarter of the Financial Year 2021, as lockdown restrictions were gradually relaxed, our business witnessed a sharp recovery through our online channels, while sales from our physical stores continued to be impacted. Our Orders and GMV over the last six quarters are as shown below:

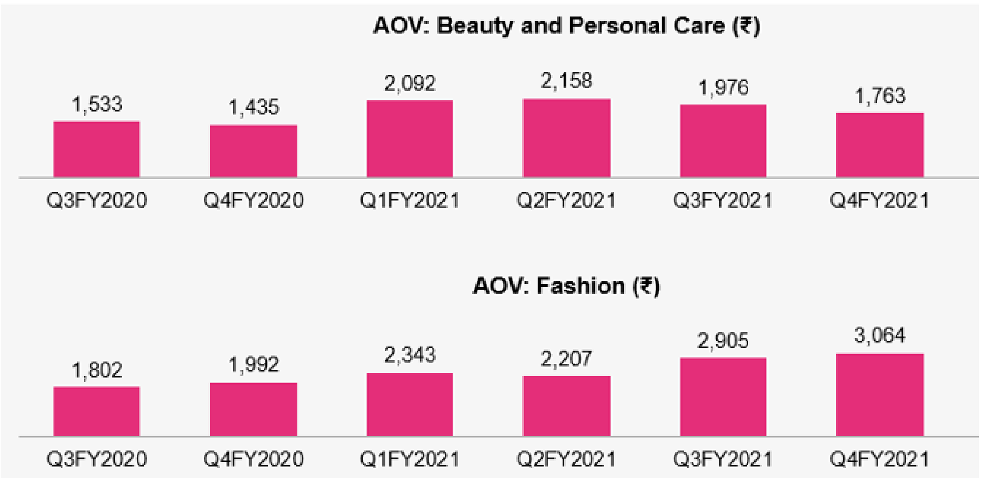




Our AOV has also increased from (i) Rs. 1,433 in the Financial Year 2019 to Rs.1,963 in the Financial Year 2021 for our beauty and personal care business and (ii) Rs.655 in the Financial Year 2019 to Rs.2,739 in the Financial Year 2021 for our fashion business. The lockdowns imposed due to the first wave of COVID-19 outbreak led to supply chain disruptions. Due to this, we decided to fulfil Orders only above a minimum AOV threshold and also increased the threshold for free shipping in our beauty and personal care vertical, which led to an increase in our AOV in the first and second quarters of the Financial Year 2021. In subsequent quarters of the Financial Year 2021, as lockdown restrictions were gradually relaxed, we reduced the minimum AOV threshold for Order placement and the threshold for free shipping, which led to a normalization of AOVs. However, the AOV observed in the third and fourth quarters of the Financial Year 2021 continued to trend higher than pre-COVID-19 AOVs, due to an increase in assortment on our platform and change in consumer behaviour leading to higher basket sizes.

In our fashion business, the increase in AOVs over the four quarters in the Financial Year 2021 has been a result of increase in the categories, new consumer divisions like Men and Kids, and brands offered since the launch of Nykaa Fashion, which has led to an increase in the number of items bought by consumers per Order.

Our AOV over the last six quarters are as shown below:



Our Ability to Attract and Maintain Brand Relationships and Manage Our Mix of Product Offerings

The number and diversity of our brand relationships whose products are sold on our platform directly affects our revenue from operations. Our product positioning and merchandising strategy are guided by the brands, through our team of brand managers who work closely with the brands. As a result, we have seen a consistent increase in the number of brand relationships and the number of SKUs offered on our platform over the last three Financial Years. As of March 31, 2021, we offered approximately 2.0 million SKUs from 3,826 national and international brands to our consumers across business verticals.

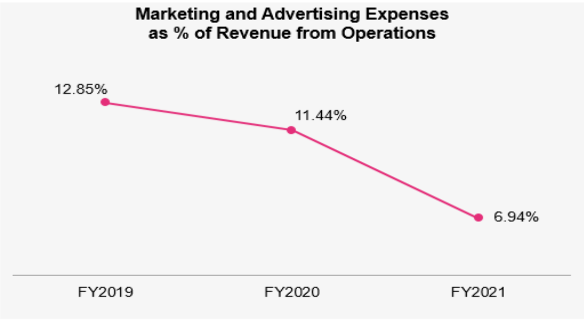
Our beauty and personal care offering is extensive with 197,195 SKUs from 2,476 brands primarily across make-up, skincare, haircare, bath and body, fragrance, grooming appliances, personal care, and health and wellness categories as of March 31, 2021. Our beauty and personal care portfolio includes domestic brands, international brands, luxury brands, premium brands, niche and cult brands. As of March 31, 2021, Nykaa Fashion housed 1,350 brands and over 1.8 million SKUs with fashion products across four consumer divisions: women, men, kids and home. Within these consumer divisions, we merchandise across several categories including western wear, Indian wear, lingerie, footwear, bags, jewellery, accessories, athleisure, home décor, bath, bed and kitchen in order to cater to diverse consumers' journeys across our platform. Having a broad, attractive and updated product mix helps to maintain the popularity of our platforms, increases consumer loyalty and encourages consumer purchases.

Cost-Effectiveness of Our Platform

Our profitability depends on our ability to maintain a cost-effective platform, which depends on a number of factors such as, the efficiency of our sales and marketing initiatives, fulfillment process and continuous investment to develop our technology for improvement in operational effectiveness.

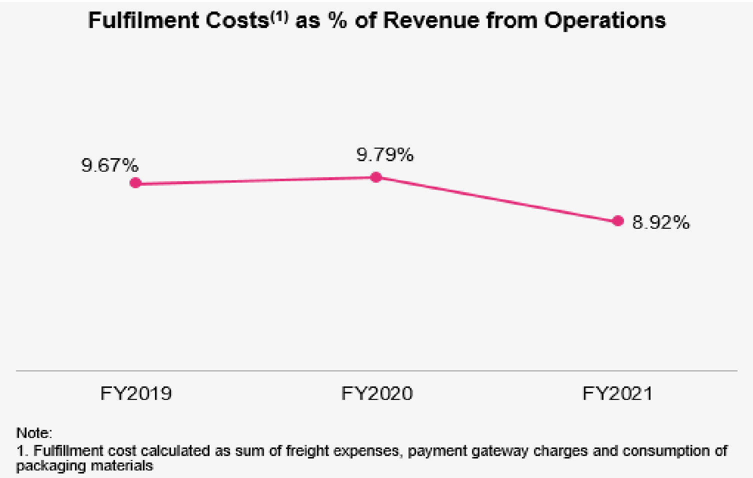
Marketing and advertisement expenses.

We invest in marketing and advertisement initiatives to drive new consumers acquisitions on our platform and to encourage existing consumers to increase the frequency of purchase. While we have gained prominence as a lifestyle retail platform by leveraging our core capabilities in content, social media and influencer marketing, our cost effectiveness depends on our ability to attract and retain consumers at reasonable marketing expenses. As a percentage of revenue from operations, our marketing and advertisement expenses decreased from 12.85% in the Financial Year 2019 to 11.44% in the Financial Year 2020 and 6.94% in the Financial Year 2021. The drop in marketing and advertisement spend in the Financial Year 2021 was due to an increase in AOV and partially due to muted spend during the first half of the Financial Year 2021. However, we expect the marketing cost will increase in the future as we continue to further invest for consumer acquisition and engagement.



Fulfilment Costs

We incur freight, packaging costs and payment gateway charges for the products that we ship from our warehouses as a part of other expenses. We work with delivery companies to execute our deliveries and ensure smooth and efficient courier delivery of products to our consumers. We pay service fees to delivery companies that we engage to carry out deliveries and pick-up services. Our cost effectiveness depends on our ability to continue optimizing fulfilment costs on a per Order basis through operational efficiencies like improved terms on service fee with our delivery partners with increasing Orders. As a percentage of revenue from operations, our fulfilment costs increased slightly from 9.67% in the Financial Year 2019 to 9.79% in the Financial Year 2020, then decreased to 8.92% in the Financial Year 2021.



Results of Operations

The following table sets forth select financial data from our Ind AS consolidated statement of profit and loss for the Financial Years 2021 and 2020, the components of which are also expressed as a percentage of total income for such periods:

Particulars	Financial Year			
	2021		2020	
	(Rs. in lakhs)	(% of Total Income)	(Rs. in lakhs)	(% of Total Income)
Income:				
Revenue from operations	2,44,089.49	99.52	1,76,753.36	99.41
Other income	1,175.92	0.48	1054.80	0.59
Total income	**2,45,265.41**	**100.00**	**1,77,808.16**	**100.00**
Expenses:				
Cost of materials consumed	3,824.06	1.56	1,734.36	0.98
Purchase of traded goods	149,560.68	60.98	117,874.64	66.29
Changes in finished goods and stock-in-trade	(4,127.07)	(1.68)	(18,663.51)	(10.50)
Employee benefits expenses	28,364.66	11.56	19,561.39	11.00
Finance costs	3,070.14	1.25	4,429.34	2.49

Particulars	Financial Year			
	2021		2020	
	(Rs. in lakhs)	(% of Total Income)	(Rs. in lakhs)	(% of Total Income)
Depreciation and amortization expense	7,158.94	2.92	6,455.41	3.63
Other expenses	50,801.59	20.71	47,869.86	26.92
Total expenses	**2,38,653.00**	**97.30**	**1,79,261.49**	**100.82**
Profit/(Loss) before tax	**6,612.41**	**2.70**	**(1,453.33)**	**(0.82)**
Tax expense/(income):				
Current tax	4,007.80	1.63	605.91	0.34
Deferred tax	(3,407.97)	(1.39)	240.67	0.14
Tax expense relating to earlier years	(152.19)	(0.06)	-	-
Total tax expense/(income)	447.64	0.18	846.58	0.48
Profit/(Loss) for the year	**6,164.77**	**2.51**	**(2,299.91)**	**(1.29)**
Total other comprehensive income/(loss) for the year (net of tax)	(218.01)	(0.09)	10.89	0.01
Total comprehensive income/(loss) for the year	5,946.76	2.42	(2,289.02)	(1.28)

Total Income

Our total income increased by 37.94% to Rs.245,265.41 lakhs for the Financial Year 2021 from Rs.1,77,808.16 lakhs for the Financial Year 2020, primarily due to an increase in revenue from operations.

Revenue from operations

Our revenue from operations increased by 38.10% to Rs.2,44,089.49 lakhs for the Financial Year 2021 from Rs.1,76,753.36 lakhs for the Financial Year 2020, primarily due to an increase in sale of products and sale of services. Our total revenue growth was also supported by an increase in demand for our products in Financial Year 2021 as a result of increasing online shopping by consumers in our beauty and personal care vertical and, as well as launch of multiple product categories and brands as part of our fashion offering, despite the adverse impact of the COVID-19 pandemic.

Our revenue from operations from sale of products increased by 37.70% to Rs.2,18,090.58 lakhs for the Financial Year 2021 from Rs.1,58,382.51 lakhs for the Financial Year 2020, primarily due to the following trends in our beauty and personal care vertical: (i) an increase in Annual Unique Transaction Consumers from 53 lakhs for the Financial Year 2020 to 56 lakhs for the Financial Year 2021, (ii) a slight increase in the number of Orders placed on our platform from 170 lakhs for the Financial Year 2020 to 171 lakhs for the Financial Year 2021 and (iii) an increase in AOV from Rs.1,448 for the Financial Year 2020 to Rs.1,963 for the Financial Year 2021.

Our revenue from sale of services increased by 37.90% to Rs.25,029.88 lakhs for the Financial Year 2021 from Rs.18,150.90 lakhs for the Financial Year 2020 due to the growth in revenue from marketing support revenue and income from marketplace services.

Other income

Our other income increased by 11.48% to Rs.1,175.92 lakhs for the Financial Year 2021 from Rs.1054.80 lakhs for the Financial Year 2020, primarily due to an increase in our interest income on security deposit and bank deposit, and foreign exchange gain, partially offset by a decrease in miscellaneous income and no gain on financial assets carried at fair value through profit and loss during the Financial Year 2021 (as compared to a gain on financial assets carried at fair value through profit and loss of Rs.759.92 lakhs for the Financial Year 2020.
Expenses

Cost of goods sold

Cost of goods sold increased by 47.86% to Rs.1,49,257.67 lakhs for the Financial Year 2021 from Rs.1,00,945.49 lakhs for the Financial Year 2020, primarily due to an increase in sale of products that we purchase from brand relationships or their authorized distributors and manufacture under our owned brands which we sell directly to our consumers, in line with the growth in the number of Orders on our platform which was driven by an increase in the number of Annual Unique Transacting Consumers and AOV.

Particulars	Financial Year 2021 (Rs. In lakhs)	Financial Year 2020 (Rs. In lakhs)
Cost of Goods Sold:		
Cost of materials consumed	3,824.06	1,734.36
Purchase of traded goods	1,49,560.68	1,17,874.64
Changes in finished goods and stock-in-trade	(4,127.07)	(18,663.51)
Total Cost of Goods Sold	1,49,257.67	1,00,945.49

Employee benefits expense

Employee benefits expense increased by 45.00% to Rs.28,364.66 lakhs for the Financial Year 2021 from Rs.19,561.39 lakhs for the Financial Year 2020, primarily due to an increase in salaries, wages and bonus to Rs.25,820.57 lakhs for the Financial Year 2021 from Rs.18,222.82 lakhs for the Financial Year 2020 and a one-off compensated absences expenses of Rs.1,028.08 lakhs for the Financial Year 2021 attributable to a change in our leave policy during the Financial Year 2021 which allowed employees to accumulate leave subject to certain limits and carry forward into subsequent years for availment/encashment. Accordingly, this is the first year where we have made a provision for compensated absences as per the leave policy existing as of March 31, 2021. The increase in salaries, wages and bonus was primarily due to an increase in employee headcount to 2,045 as at March 31, 2021 from 1,772 as at March 31, 2020 and annual increment.

Finance costs

Our finance costs decreased by 30.69% to Rs.3,070.14 lakhs for the Financial Year 2021 from Rs. 4,429.34 lakhs for the Financial Year 2020, primarily due to (i) a decrease in interest expenses on borrowings to Rs.1,624.24 lakhs for the Financial Year 2021 from Rs.2,930.41 lakhs for the Financial Year 2020 as a result of the repayment of certain borrowings, lower utilization of, and a reduction in interest rates on, working capital loan, and (ii) a decrease in interest expenses on lease liabilities to Rs.1,296.87 lakhs for the Financial Year 2021 from Rs.1,404.29 lakhs for the Financial Year 2020.

Depreciation and amortization expense

Our depreciation and amortization expense increased by 10.90% to Rs.7,158.94 lakhs for the Financial Year 2021 from Rs.6,455.41 lakhs for the Financial Year 2020, primarily due to an increase in depreciation of rights-of-use assets to Rs.4,083.58 lakhs for the Financial Year 2021 from Rs.3,827.73 lakhs for the Financial Year 2020 and an increase in depreciation of property, plant and equipment to Rs.1,861.16 lakhs for the Financial Year 2021 from Rs.1,345.24 lakhs for the Financial Year 2020.

Other expenses

Our other expenses increased by 6.12% to Rs.50,801.59 lakhs for the Financial Year 2021 from Rs.47,869.86 lakhs for the Financial Year 2020, primarily due to (i) an increase in freight expenses to Rs.15,800.77 lakhs for the Financial Year 2021 from Rs.1,3141.53 lakhs for the Financial Year 2020, which was driven by the increase in the volume of Orders processed through our platform and an increase in the number of outsourced personnel in fulfillment centers and (ii) an increase in consumption of packing materials to Rs.4,387.26 lakhs for the Financial Year 2021 from Rs.3,457.42 lakhs for the Financial Year 2020, which was primarily due to an increase in shipments in line with an increase in Order volume. The increase in other expenses was partially offset by the decrease marketing and advertisement expense to Rs.16,947.95 lakhs for the Financial Year 2021 from Rs.20,198.02 lakhs for the Financial Year 2020, primarily due to a reduction in expenses on advertising and digital marketing.

Tax expense/(income)

Our total tax expense decreased by 47.12% to Rs.447.64 lakhs for the Financial Year 2021 from Rs.846.58 lakhs for the Financial Year 2020. Our tax expenses for the Financial Year 2021 comprised a current tax of Rs.4,007.80 lakhs and a deferred tax income of Rs.3,560.16 lakhs, while our tax expenses for the Financial Year 2020 comprised a current tax of Rs.605.91 lakhs and a deferred tax of Rs. 240.67 lakhs. Deferred tax income for the Financial Year 2021 higher on account of deferred tax asset recognized for tax losses in FSN Brands and Nykaa Fashions of Rs. 2,040.10 lakhs.

Profit/(loss) for the year

As a result of the foregoing, Your Company recorded a Profit After Tax of Rs.6,164.77 lakhs for the Financial Year 2021 as compared to a loss of Rs.(2,299.91) lakhs for the Financial Year 2020.

Liquidity and Capital Resources

Historically, our primary liquidity requirements have been to finance our capital expenditure and working capital needs for our operations. We have met these requirements through cash flows from operations, equity infusions from shareholders and borrowings. As of March 31, 2021, we had Rs.8,358.20 lakhs in cash and cash equivalents and Rs.16,408.73 lakhs in other bank balances other than cash and cash equivalents. We believe that, after taking into account the expected cash to be generated from operations and proposed fund raising, we will have sufficient liquidity for our present requirements and anticipated requirements for capital expenditure and working capital for the next 12 months.

Cash Flows

The following table sets forth our cash flows for the years indicated:

(Rs. in lakhs)

Particulars	Financial Year	
	2021	**2020**
Net cash flows from/(used in) Operating Activities	14,984.86	1,479.17
Net cash flows from/(used in) Investing Activities	(12,974.34)	155.92
Net cash flows from/(used in) Financing Activities	(3,772.23)	7,344.49
Net increase/(decrease) in Cash and Cash Equivalents	(1,761.71)	8,979.58

Operating Activities

Net cash flows from operating activities was Rs. 14,984.86 lakhs for the Financial Year 2021. While our profit before tax was Rs.6,612.41 lakhs, we had an operating profit before working capital changes of Rs.18, 556.34 lakhs, primarily due to adjustments for depreciation and amortization of Rs. 7,158.94 lakhs, interest expense and finance costs of Rs.3070.14 lakhs and provision for compensated absence expenses of Rs. 1,028.08 lakhs, partially offset by interest income of Rs.1,029.23 lakhs. Our working capital adjustments for the Financial Year 2021 primarily consisted of an increase of inventories of Rs.4,737.81 lakhs, an increase in current financial assets of Rs.1,754.29 lakhs and an increase in other current assets of Rs.1,759.26 lakhs, partially offset by an increase in current other financial liabilities of Rs.4,608.78 lakhs and a decrease in trade receivables of Rs.1,525.02 lakhs. Our cash generated from operations was Rs.1,6301.95 lakhs, adjusted by payment of taxes of Rs.1,317.09 lakhs.

Net cash flows from operating activities was Rs. 1,479.17 lakhs for the Financial Year 2020. While our net loss before tax was Rs.1,453.33 lakhs, we had an operating profit before working capital changes of Rs.9,381.42 lakhs, primarily due to adjustments for depreciation and amortization of Rs.6,455.41 lakhs and interest expense and finance costs of Rs.4,429.32 lakhs, partially offset by realized gain from sale of investments of Rs.744.07 lakhs. Our working capital adjustments for the Financial Year 2020 primarily consisted of an increase in inventories of Rs.20,549.14 lakhs and an increase in trade receivables of Rs.1,975.35 lakhs, while partially offset by an increase in trade payables of Rs.13,152.10 lakhs, an increase in current financial asset of Rs.259.21 lakhs and an increase in current other financial liabilities of Rs.2,428.07 lakhs Our cash generated from operations was Rs.1,905.89 lakhs, adjusted by payment of taxes of Rs.426.72 lakhs.

Investing Activities

Net cash used in investing activities was Rs.12,974.34 lakhs for the Financial Year 2021, primarily comprising investment in fixed deposits of Rs.8,966.03 lakhs and payment for purchase of property, plant and equipment, intangible assets including movement in capital work in progress ("CWIP") and capital creditors (net of proceeds from sales) of Rs.4,206.99 lakhs, offset by interest received of Rs.360.18 lakhs.

Net cash flows from investing activities was Rs.155.92 lakhs for the Financial Year 2020, primarily comprising proceeds from sale of investments of Rs.13,288.39 lakhs, offset by investment in fixed deposits of Rs.8,055.25 lakhs and payment for purchase of property, plant and equipment, intangible assets including movement in CWIP and capital creditors (net of proceeds from sales) of Rs.5,082.64 lakhs.

Financing Activities

Net cash used in financing activities was Rs.3,772.23 lakhs for the Financial Year 2021, primarily comprising (repayment) of current borrowings (net) of Rs.8,152.07 lakhs, principle payment of lease liability of Rs.2,995.01 lakhs, interest paid of Rs.1,765.50 lakhs and interest expenses on lease liabilities of Rs.1,296.87 lakhs, partially offset by proceeds from securities premium of Rs.10,225.59 lakhs.

Net cash flows from financing activities was Rs.7,344.49 lakhs for the Financial Year 2020, primarily comprising proceeds from securities premium of Rs.10,800.90 lakhs and proceeds from current borrowings (net) of Rs.4,188.08 lakhs, partially offset by principle payment of lease liability of Rs.3,309.63 lakhs, interest paid of Rs.2,976.95 lakhs and interest expenses on lease liabilities of Rs.1,404.29 lakhs.

Indebtedness

As of March 31, 2021, we had outstanding consolidated total borrowings of Rs.18,746.53 lakhs (comprising non-current liabilities – financial liabilities – borrowings of Rs.166.00 lakhs and current liabilities – financial liabilities – borrowings of Rs.18,580.53 lakhs) as compared with outstanding consolidated total borrowings including current maturities of long term debt of Rs.26,754.80 lakhs as of March 31, 2020. Our borrowings are denominated in Indian Rupee as of such date.
Capital and Other Commitments

As of March 31, 2021, our estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) was Rs.198.98 lakhs.

Capital Expenditure

Our capital expenditures primarily relate to the purchase of computers, furniture and other fixtures, office equipment, leasehold improvements, software and business application development. Our purchase of property, plant and equipment, intangible assets including movement in CWIP and capital creditors (net of proceeds from sales) were Rs.4,206.99 lakhs, and Rs.5,082.64 lakhs for the Financial Years 2021 and 2020, respectively.

Contingent Liabilities

As at March 31, 2021, we have contingent liabilities (as per Ind As 37) of Rs.1,008.58 lakhs comprising Rs.743.66 lakhs for claims against our Group not acknowledged as debts for disputed direct tax matters (including interest up to the date of demand, if any), Rs.149.88 lakhs for claims against our Group not acknowledged as debts for disputed indirect tax matters (including interest up to the date of demand, if any) and Rs.115.04 lakhs for certain bank guarantees against vendor liabilities.

Off-Balance Sheet Commitments and Arrangements

We do not have any off-balance sheet arrangements, derivative instruments or other relationships with other entities that would have been established for the purpose of facilitating off-balance sheet arrangements.

Quantitative and Qualitative Analysis of Market, Credit and Liquidity Risks

Our Board has overall responsibility for the establishment and oversight of our risk management framework. We are exposed to the following risks:

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly comprises currency risk, product price risk and interest rate risk.

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. Our exposure to the risk of changes in foreign exchange rates relates primarily to our operating activities denominated in foreign currency and thus the risk of changes in foreign exchange rates relates primarily to trade payables. Since the Financial Year 2022, we have started hedging our foreign currency payables.

Product price risk

In a potentially inflationary economy, we expect periodical price increases across its product lines. Product price increases which are not in line with the levels of consumers' discretionary spends, may affect the business/ sales volumes. In such a scenario, the risk is managed by offering judicious product discounts to consumers to sustain volumes. We negotiate with our vendors for purchase price rebates such that the rebates substantially absorb the product discounts offered to the consumers. This helps us to protect itself from significant product margin losses. This mechanism also works in case of a downturn in the retail sector, although overall volumes would get affected.

Interest rate risk

We are exposed to interest rate risk primarily due to borrowings having floating interest rates. We use available working capital limits for availing short-term working capital demand loans with interest rates negotiated from time to time so that we have an effective mix of fixed and variable rate borrowings.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to credit risk from its operating activities (primarily trade receivables).

Trade receivables

Our retail business is predominantly based on cash on delivery and prepaid, and accordingly the credit risk on such collections is minimal. We have adopted a policy of dealing with only creditworthy counterparties in case of institutional consumers and the credit risk exposure for institutional consumers is managed by us by credit worthiness checks. Our experience of delinquencies and consumer disputes have been minimal. Further, trade and other receivables consist of a large number of consumers, across geographies, hence, we are not exposed to concentration risks. Also we have a simplified approach to determine impairment loss allowance on the portfolio of trade receivables. This is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates.

Security deposits

We also carry credit risk on lease deposits with landlords for properties taken on leases, for which agreements are signed and property possessions are taken for operations. The risk relating to refunds after vacating the premises is managed through successful negotiations or appropriate legal actions, where necessary.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by our treasury department in accordance with our policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by our Board of Directors on an annual basis and may be updated throughout the year subject to approval of our Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Liquidity Risk

Liquidity risk is a risk that we may not be able to meet its financial obligations on a timely basis through its cash and cash equivalents, and funds available by way of committed credit facilities from banks. Management manages the liquidity risk by monitoring rolling cash flow forecasts and maturity profiles of financial assets and liabilities. This monitoring includes financial ratios and takes into account the accessibility of cash and cash equivalents and additional undrawn financing facilities.

Internal Controls Systems and their Adequacy

The Company's philosophy towards internal control is based on the principle of healthy growth and proactive approach to risk management. Aligned to this philosophy, the Company has deployed a framework of internal controls that facilitates efficient conduct of business operations in compliance with the company policy; fair presentation of our financial results in a manner that is complete, reliable and understandable; ensure adherence to regulatory and statutory compliances; and safeguards investor interest. The Internal Control framework has been set up across the company and is assessed periodically.

Accounting hygiene and audit scores are driven centrally through central financial reporting team which is responsible for accuracy of books of accounts, preparation of financial statements and reporting the same as per the company's accounting policies. Regulatory and legal requirements, accounting standards, and other pronouncements are evaluated regularly to assess applicability and impact on financial reporting. The relevant financial reporting requirements are communicated to relevant units and enforced throughout the Company. This, together with the financial reporting calendar evidencing the tasks and timelines, forms the basis of the financial reporting process.

Employees

As of March 31, 2021, we had 2,045 employees (at Nykaa Group), of which 47% were women. We also engage contractors and consultants to provide us temporary workforce. The Company acknowledges its deep gratitude, hard work and dedication displayed by its employees during the Covid pandemic. This resilience contributed to the Company's growth during these challenging times.

Annexure - E

CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy and ideology on Corporate Governance is constituted upon a heirloom of robust, transparent and ethical corporate governance principals, many of which were assumed and adopted by the Company voluntarily. Our activities and affairs are driven by our values and principles, which are imbibed at and across all levels in the Company.

Since inception, the Company has endorsed and advocated strong values and profound principles, the most indispensable being 'Customer Satisfaction'/Repute/Customer Championship. In spite of the Company having to constantly revolutionize and evolve in order to survive in a dynamic and ever-changing business environment, there are certain values inherent to its corporate culture – which it has nurtured and preserved over the years and shall persevere to carry forward with it while going forward.

The Company has drawn up a Code of Conduct for its Directors and Senior Management in line with SEBI LODR Regulations.

Details of Company's board structure and the various committees that constitute the governance structure of the Company are covered in detail in this report.

I. BOARD OF DIRECTORS

The Board of Directors of Your Company has an optimum combination of Executive and Non-Executive Directors, representing a blend of professionalism, knowledge and experience. The composition of the Board is in compliance with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Act. The Executive Chairperson and Promoter of Your Company, is a Professional Director in her individual capacity. The total number of Non-Executive and Independent Directors in the Company is one-half of the total number of Directors.

Ms. Falguni Nayar, is the Executive Chairperson, Managing Director & Chief Executive Officer of Your Company. The other Non-Executive Directors comprise of Five Independent Directors (Including two Women Directors) as on date. The Directors on the Board are well renowned, highly competent and experienced persons from diverse fields including finance, economics, law, human resources, management etc.

Based on the recommendation of the Nomination and Remuneration Committee ('NRC'), the Board and the Shareholders of the Company appointed and designated Ms. Falguni Nayar as the Executive Chairperson, Managing Director and Chief Executive Officer of the Company.

A. COMPOSITION OF THE BOARD

The Board of Directors comprised Twelve Directors as on 31st March, 2021 and Ten Directors as on the Date of this report. The name and categories of Directors, DIN, the number of Directorships, and the list of Listed Entities where he/she is a Director along with the category of their Directorships and other details are reproduced hereunder.

None of the Directors on the Board holds Directorships in more than ten public companies and/or twenty private companies. Necessary disclosures regarding Directorship positions in public and private companies as on March 31, 2021 have been made by the Directors. None of the Directors is related to each other except Falguni Nayar, Sanjay Nayar, Anchit Nayar and Adwaita Nayar.

Arrangement or understanding with major Shareholders, customers, suppliers or others

There is no arrangement or understanding with our major shareholders, customers, suppliers or others, pursuant to which any of our Directors were appointed as a Director or member of senior management.

Information on Directors:

Particulars	Falguni Sanjay Nayar	Sanjay Nayar	Adwaita Nayar	Anchit Nayar
DIN	00003633	00002615	07931382	08351358
Designation	Executive Chairperson, Managing Director and Chief Executive Officer	Promoter – Non Executive Director	Promoter – Executive Director	Promoter – Executive Director
Nationality	Indian	Indian	Indian	Indian
Age	57	61	31	31
Date of Appointment	24th April, 2012	9th April, 2021	22nd January, 2018	13th August, 2019
Tenure on Board	9 years and 3 months	4 months	3 years and 6 months	2 year and 5 months
Term Ending Date	11th February, 2026 (Executive Chairperson, Managing Director & CEO)	N.A.	30th June, 2026	30th June, 2026
Shareholding	10,43,05,770 Shares (22.33%)	12,01,18,920 Eq. Shares (25.72%)	1,44,00,060 Eq. Shares (3.09%)	1,45,30,080 Eq. Shares (3.11%)
Relation with other Directors	Spouse of Mr. Sanjay Nayar Mother of Mr. Anchit Nayar and Ms. Adwaita Nayar	Spouse of Ms. Falguni Nayar Father of Mr. Anchit Nayar and Ms. Adwaita Nayar	Daughter of Ms. Falguni Nayar and Mr. Sanjay Nayar Sister of Mr. Anchit Nayar	Son of Ms. Falguni Nayar and Mr. Sanjay Nayar Brother of Mr. Anchit Nayar
Board Memberships	Listed Companies: • Dabur Indian Limited (Non-Executive Director) • ACC Limited (Non-Executive Director) Other Directorships: 8	Listed Companies: • GRP Limited (Non-Executive Director) • Prime Securities Limited (Non-Executive Director) • Cosmo Films Limited (Non-Executive Director) Other Directorships: 14	Listed Companies: Nil Other Directorships: 3	Listed Companies: Nil Other Directorships: 2

Particulars	Milan Khakhar	Milind Sarwate	Anita Ramachandran	Alpana Parida
DIN	00394065	00109854	00118188	06796621
Designation	Non-Executive Director	Independent Director	Independent Director	Independent Director
Nationality	Indian	Indian	Indian	Indian
Age	60	62	66	58
Date of Appointment	28th September, 2015	15th July, 2021	12th October, 2015	28th September, 2015
Tenure on Board	5 years and 9 months	1 month	5 year and 8 months	5 years and 9 months
Term Ending Date	N.A.	14th July, 2026	15th July, 2026	15th July, 2024
Shareholding	Nil	Nil	67,800 Eq. Shares (0.01%)	1,69,440 Eq. Shares (0.04%)
Relation with other Directors	Nil	Nil	Nil	Nil
Board Memberships	Listed Companies: Solid Stone Limited (Managing Director) Other Directorships: 4	Listed Companies: Matrimony.com Limited (Independent Director) Mahindra & Mahindra Financial Services Limited (Independent Director) Metropolis Healthcare Limited (Independent Director) Sequent Scientific Limited (Independent Director) Other Directorships: 6	Listed Companies: Grasim Industries Limited (Independent Director) Rane (Madras) Limited (Independent Director) Happiest Minds Technologies Limited (Independent Director) Metropolis Healthcare Limited (Independent Director) Other Directorships: 8	Listed Companies: GRP Limited (Independent Director) Prime Securities Limited (Independent Director) Cosmo Films Limited (Independent Director) Other Directorships: 6

Particulars	Pradeep Parameswaran	Seshashayee Sridhara
DIN	07206780	07206780
Designation	Independent Director	Independent Director
Nationality	Indian	Indian
Age	62	55
Date of Appointment	15th July, 2021	26th July, 2021
Tenure on Board	1 month	1 month
Term Ending Date	14th July, 2024	25th July, 2024
Shareholding	Nil	Nil
Relation with other Directors	Nil	Nil
Board Memberships	Indian Listed Companies - Non-Executive Director: Nil Other Directorships: 1	Indian Listed Companies - Non-Executive Director: Nil Other Directorships: Nil

B. BOARD PROCEDURE

Critical and policy decisions are made and adopted at meetings of the Board and Committees, arrived at through effective dialogue and fruitful discussions. Agenda along with relevant materials and notes setting out the business to be transacted at the Meeting is sent to all the Directors before the scheduled date of the Meeting. Businesses of an urgent nature, requiring quick resolution are dealt with at meetings called at shorter notice. To enable greater participation by Directors and more informed decision making, video conferencing facilities are made available to enable the Directors to participate in the meetings through electronic mode.

The Board periodically reviews and revisits the strategy and business plans, annual operating and capital expenditure budgets, investments and hedging limit(s), compliance status and reports of all laws applicable to the Company, as well as steps and initiatives taken to rectify and make good instances of non-compliances, performance of operating divisions, review of major legal issues, minutes of the Committees of the Board and of Board Meetings of Your Company's subsidiary companies, significant transactions and arrangements entered into by the unlisted subsidiary companies, approval of quarterly / half-yearly / annual financial results, significant labour problems and their proposed solutions, safety and risk management, transactions pertaining to purchase/disposal of property(ies), sale of investments, major accounting provisions and write-offs, corporate restructuring, joint ventures or collaboration agreement(s), material default in financial obligations, brand equity or intellectual property, any issue that involves possible public or product liability claims of substantial nature, quarterly details of foreign exchange exposures and the steps taken by Management to limit the risks of adverse exchange rate movement.

C. Number of Board Meetings, Attendance of the Directors at Meetings of the Board and at the Annual General Meeting

During the year 1st April, 2020 to 31st March, 2021, Six Board Meetings were held The Board met at least once in every Calendar Quarter and the gap between two consecutive Meetings did not exceed one hundred and twenty days. These Meetings were well attended by the Directors. The 8th AGM of Your Company was held on 30th September, 2020.

The attendance of the Directors at these Meetings held during 1st April, 2020 to 31st March, 2021, was as under:

AGM AND BOARD ATTENDANCE

Name of the Directors	AGM (30th September 2020)	Board Meetings							
		1	2	3	4	5	6	Held during tenure	Attended
		21st April, 2021	22nd May, 2020	20th August, 2020	5th November, 2020	28th January, 2021	12th February, 2021		
Ms. Falguni Nayar	√	√	√	√	√	√	√	6	6
Mr. Anchit Nayar	√	√	√	√	√	√	√	6	6
Ms. Adwaita Nayar	√	√	√	√	√	√	√	6	6
Ms. Anita Ramachandran	√	√	√	√	√	√	√	6	6
Ms. Alpana Parida	√	√	√	√	√	√	√	6	6

Name of the Directors	AGM (30th September 2020)	Board Meetings							
		1	2	3	4	5	6	Held during tenure	Attended
		21st April, 2021	22nd May, 2020	20th August, 2020	5th November, 2020	28th January, 2021	12th February, 2021		
Mr. Yogesh Mahansaria	√	√	√	√	√	√	√	6	6
Mr. Milan Khakhar	√	√	√	√	√	√	√	6	6
Mr. William Sean Sovak	×	×	√	√	√	√	√	6	5
Ms. Shefali Munjal	×	√	√	×	√	×	×	6	3
Mr. Akshay Tanna	√	√	√	√	×	√	√	6	5
Mr. Vikram Sud	√	√	√	√	√	√	√	6	6
Ms. Padmini Somani	×	×	×	√	×	√	√	6	3

In view of the massive outbreak caused due to COVID-19 pandemic and severe restrictions imposed to contain the spread, including travel in most parts of the Country, all the Committee and Board Meetings were held through Video Conferencing facility (VC) during the year under review. All Directors were provided VC facility to participate in the Meetings of the Board and of Committees.

D. Code of Conduct for Directors and Senior Management

The Board of Directors will adhere to the requirements of SEBI LODR Regulations in relation to performance evaluation Board of Directors as a whole, its Committees and Directors in their individual capacity.

These Codes will be hosted on the website of Your Company and can be accessed in the Corporate Governance section. All the Board Members and Senior Management Personnel have to affirm compliance with these Codes. A declaration signed by the Managing Director and Chief Executive Officer to this effect is enclosed at the end of this Report. The Code of Conduct for the Board Members of the Company also includes Code for Independent Directors which is a guide to professional conduct for Independent Directors, pursuant to section 149(8) and Schedule IV of the Act.

E. CEO/CFO Certification

The Executive Chairperson, Managing Director & Chief Executive Officer and Group Chief Financial Officer of the Company will jointly furnish and give an annual certification on financial reporting and internal controls to the Board in terms of Regulation 17(8) of the SEBI LODR Regulations.

F. Familiarization Programme for Independent Directors

The Company's familiarization programs for its Independent Directors includes an overview of the Fashion and Cosmetics Industry scenario, the socio-economic environment in which the Company operates, the business model, the operational and financial performance of the Company and the significant developments taking place on a continuous basis.

G. Criteria for Performance Evaluation of Independent Directors

The performance evaluation of Independent Directors contains various criteria, inter-alia, including attendance at Board and Committee Meetings, skill, experience, ability to challenge views of others in a constructive manner, proficiency in relevant topics such as companies Law, securities Law, basic accountancy and all other laws and regulations applicable to the Company, knowledge acquired with regard to the Company's business, understanding of industry and global trends, etc.

H. Board Confirmation regarding Independence of the Independent Directors

All the Independent Directors of the Company have given and furnished their respective declaration/disclosures as prescribed under section 149(7) of the Act and Regulation 25(8) of the SEBI LODR Regulations and have duly confirmed that they fulfil the independence criteria as specified under Section 149(6) of the Act and Regulation 16 of the SEBI LODR Regulations and have also vouched that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgement and without any external influence. Further, the Board after taking these declaration/disclosures on record and acknowledging the authenticity of the same, concluded that the Independent Directors are persons of integrity and possess the relevant expertise and experience to qualify as Independent Directors of the Company and are Independent of the Management.

I. Matrix setting out the core skills/expertise/competence of the Board of Directors

Skills	Particulars
Finance	Leadership of a financial firm or management of the finance function of an enterprise, resulting in proficiency in complex financial management, capital allocation, and financial reporting processes, or experience in actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions.
Diversity	Representation of gender, ethnic, geographic, cultural, or other perspectives that expand the Board's understanding of the needs and viewpoints of our customers, partners, employees, governments, and other stakeholders worldwide.
Business Strategy	Experience in driving business success in markets around the world, with an understanding of diverse business environments, economic conditions, cultures, and regulatory frameworks, and a broad perspective on global market opportunities.
Leadership	Extended leadership experience for a significant enterprise, resulting in a practical understanding of organizations, processes, strategic planning, and risk management. Demonstrated strengths in developing talent, planning succession, and driving change and long-term growth.

Technology and Innovation	An appreciation of emerging trends in product design and development, research, disruptions in technology and in business models.
Sales and Marketing	Ability in developing strategies to increase market share through innovation, build better brand experience for customers, improve prospective customer engagement levels and help establish active customers become loyal brand followers**.**
Governance and Regulatory oversight	Devise systems for compliance with a variety of regulatory requirements, reviewing compliance and governance practices for a long term sustainable growth of the Company and protecting stakeholders' interest.
Risk Mitigation	Experience in identifying and evaluating the significant risk exposures to the business strategy of the Company and assess the Management's actions to mitigate the strategic, legal and compliance, and operational risk exposures.

II. BRIEF PROFILE OF DIRECTORS

Ms. Falguni Nayar is the founder, Executive Chairperson & Managing Director and Chief Executive Officer of our Company. She holds a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad. She has over 26 years of experience in e-commerce, investment banking and broking. Prior to founding our Company, she was associated with Kotak Mahindra Capital Company Limited for 18 years where she also served as a managing director. Presently, she serves as an independent on the boards of various companies including listed entities.

Mr. Sanjay Nayar is an Additional Non-Executive Director of our Company. He holds a bachelor's degree in science in mechanical engineering from the University of Delhi and a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad. He has over 35 years of experience in banking, and private equity. He was associated with Citibank N.A. for over 23 years, where he also served as the chief executive officer of the bank in India over six years. He was chief executive officer of KKR India Advisors Private Limited from 2009 to 2020. Presently he serves as a chairman of KKR India and also serves on the board of various companies.

Ms. Adwaita Nayar is an Executive Director of our Company since July 1, 2021. She also serves as the chairperson and chief executive officer of Nykaa Fashion. She co-founded our Company. She holds a bachelor's degree in applied mathematics from the Yale University and a master's degree in business administration from the Harvard Business School. Post her academic pursuits, she re-joined FSN Brands in the year 2017 as chief executive officer in FSN Brands to create and strengthen the offline retail footprint of 'Nykaa'. Since 2018, she has established the Nykaa Fashion's business and currently oversees nykaafashion.com as well as many of our Company's owned & partner brands.

Mr. Anchit Nayar is an Executive Director of our Company since July 1, 2021. He also serves as the chairman and chief executive officer of Nykaa E-Retail. He holds a bachelor's degree from Columbia University. Anchit has previously served as the vice president of the Investment Banking Division at Morgan Stanley, New York. He is currently responsible for the beauty business and also serves as a member of the investor relations team. He joined FSN Brands in 2018 as the chief executive officer and has overseen the expansion of retail Nykaa stores. He was also the chief marketing officer of the Company for the period from May 31, 2020 to January 12, 2021.

Ms. Anita Ramachandran is an Independent Director of our Company. She holds a bachelor's degree in commerce and a master's degree in management studies from the University of Bombay. She has over 45 years of experience as a Management consultant. She founded Cerebrus Consultants Private Limited in 1995. She has previously worked with A.F. Ferguson & Co. (a former KPMG network company in India). Presently, she serves as a director on the board of various companies including listed entities.

Mr. Milan Khakhar is a Non-Executive Director of our Company. He holds a bachelor's degree in commerce and law from the University of Bombay. He has over 30 years of experience in natural stones and building material industry sector. Currently he is the chairman and managing director of Solid Stone Company Limited, a BSE listed entity.

Ms. Alpana Parida is an Independent Director of our Company. She holds a bachelor's degree in arts (honours course) from the University of Delhi and a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad. She has over 20 years of experience in the retail, luxury, branding and design sector. She is founder & chief executive officer of Tiivra Ventures Private Limited. Previously, she has also been on the board of various entities including listed entities.

Mr. Pradeep Parameswaran is an Independent Director of our Company. He holds a bachelor's degree in engineering (instrumentation engineering) and a master's degree in management studies from the University of Mumbai. He also holds a Master of Business Administration from Vanderbilt University. He has over 15 years of experience in engineering, automobile and marketing. He is associated with Uber India Technology Private Limited as senior director, RGM Rides – APAC. He was associated with DEN Networks Limited as the chief executive officer, McKinsey & Company, Inc and Hindustan Unilever Limited.

Mr. Seshashayee Sridhara is an Independent Director of our Company. He holds a bachelor's degree in mechanical engineering from the Nagpur University. He has several years of experience in product, engineering, data and artificial intelligence, operations, cybersecurity and compliance sector. He also serves as a member of the management board for Allegro.pl. Previously, he was associated with various organisations including TUI Travel Plc, and D-Market Elektronik Hizmetlter ve Ticaret AS Kustepe Mah. Mecidiyekoy Yolu Cad (Dogan Online).

Mr. Milind Sarwate is an Independent Director of our Company. He is a chartered accountant from the Institute of Chartered Accountants of India, a cost accountant from the Institute of Cost Accountants of India and a company secretary from the Institute of Company Secretaries of India. He holds a bachelor's Honours degree in commerce from the University of Bombay. He has about 37 years of post-qualification experience Presently, he serves as an independent director on the boards of the various companies including listed entities. He is the founder & designated partner of Increate Value Advisors LLP and Increate Social Value Advisors & Resourcers LLP. He is also a promoter director of Increate Foundation, and a member of the advisory board for Educo, a public charitable trust.

III. REMUNERATION TO DIRECTORS

Terms of appointment of Executive Directors

a) Falguni Nayar:

Falguni Nayar was appointed as the Director with effect from April 24, 2012 and Chief Executive Officer pursuant to the Board resolution dated April 27, 2018. She was further re-designated as the Executive Chairperson, Managing Director and Chief Executive Officer of our Company for a period of five years with effect from February 12, 2021 until February 11, 2026 pursuant to the Nomination and Remuneration Committee resolution dated February 9, 2021, Board resolution dated February 12, 2021 and shareholders' resolution dated March 8, 2021. The details of the remuneration approved by the Shareholders pursuant to their resolution dated March 8, 2021 and the agreement are set out below:

Fixed Compensation	₹ 50 million per annum
Variable Pay	2% of the profit before tax of our Company on consolidated basis, subject to applicable statutory limits
Perquisites / Benefits	Standard perquisites of car, driver, medical, insurance, club membership and other benefits as per the policy of our Company
Further increments and revisions	To be reviewed annually in accordance with performance, market and applicable statutory limits

Further, pursuant to the resolutions passed by Board on February 12, 2021 and Shareholders on March 8, 2021 it was approved that, the remuneration mentioned hereinabove shall be paid: (a) entirely by the Company or,(b) in such ratio as may be determined by the Nomination and Remuneration Committee in compliance with applicable provisions of law: (1) partly by the Company and partly by Company's wholly owned subsidiary, Nykaa E-Retail, or (2) partly by Company and partly by any other subsidiary of the Company.

Further, pursuant to the resolutions passed by the Board on February 12, 2021 and Shareholders on March 8, 2021, the payment of variable pay for FY 2020 and payment of ex-gratia were approved. The variable pay for FY 2020 equals to six months of fixed pay amounting to ₹ 11.89 million and an ex-gratia amount of ₹ 70 million.

The remuneration paid to Falguni Nayar in FY 2021 was ₹ 108.44 million including an ex-gratia amount of ₹ 70.00 million. The remuneration paid to Falguni Nayar does not include provisions made for gratuity and compensated absences as it is determined on an actuarial basis for the group as a whole.

b) Adwaita Nayar

Adwaita Nayar was appointed as the Non-Executive Director with effect from January 22, 2018 pursuant to the Board resolution dated January 22, 2018. Pursuant to the Nomination and Remuneration Committee resolution dated June 28, 2021, the Board resolution dated June 30, 2021 and the Shareholders' resolution dated July 16, 2021, she was designated as an Executive Director for a period of five years with effect from July 1, 2021. The details of the remuneration approved by the Shareholders pursuant to their resolution dated July 16, 2021 and the agreement are set out below:

Fixed Compensation	₹ 20 million per annum
Variable Pay	0.5% commission of profit before tax of the Company on a consolidated basis, subject to applicable statutory limits
Perquisites / Benefits	Standard perquisites and benefits as per Company's policy in this regard
Further increments and revisions	To be reviewed annually in accordance with performance, market and applicable statutory limits

Further, pursuant to the resolutions passed by Board on June 30, 2021 and Shareholders on July 16, 2021 it was approved that, the remuneration mentioned hereinabove shall be paid: (a) entirely by Company or,(b) in such ratio as may be determined by the Nomination and Remuneration Committee in compliance with applicable provisions of law: (1) partly by Company and partly by the Company's wholly owned subsidiary, Nykaa Fashion, or (2) partly by Company and partly by any other subsidiary of the Company.

c) Anchit Nayar

Anchit Nayar was appointed as the Non-Executive Director with effect from August 13, 2019 pursuant to the Board resolution dated August 13, 2019. Pursuant to the Nomination and Remuneration Committee resolution dated June 28, 2021, the Board resolution dated June 30, 2021 and the Shareholders' resolution dated July 16, 2021, he was designated as an Executive Director for a period of five years with effect from July 1, 2021. The details of the remuneration approved by the Shareholders pursuant to their resolution dated July 16, 2021 and the agreement are set out below:

Fixed Compensation	₹ 20 million per annum
Variable Pay	0.5% commission of profit before tax of the Company on a consolidated basis, subject to applicable statutory limits
Perquisites / Benefits	Standard perquisites and benefits as per Company's policy in this regard
Further increments and revisions	To be reviewed annually in accordance with performance, market and applicable statutory limits

Further, pursuant to the resolutions passed by the Board on June 30, 2021 and Shareholders on July 16, 2021 it was approved that, the remuneration mentioned hereinabove shall be paid: (a) entirely by Company or,(b) in such ratio as may be determined by the NRC in compliance with applicable provisions of law: (1) partly by Company and partly by the Company's wholly owned subsidiary, Nykaa E-Retail, or (2) partly by Company and partly by any other subsidiary of the Company.

Commission to the Non-Executive Directors and Independent Directors

The Shareholders at the Annual General Meeting held on September 30, 2020, approved commission to the Non-Executive Directors for FY 2021, which is set out as follows:

1. ₹ 1 million per annum to Anita Ramachandran in her capacity as permanent chairperson of Nomination and Remuneration Committee inclusive of membership of other committees of the Board of Directors.

2. ₹ 0.5 million per annum to Alpana Parida in her capacity of member of other committees of the Board of Directors.

Further pursuant to the special resolution passed by Shareholders at the EGM held on July 28, 2021, the Shareholders approved commission to be paid to the Independent Directors not exceeding 1% of the profits of Company and its Subsidiaries and sitting fees, as applicable, for the year or such limits as may be prescribed under the Companies Act, 2013, provided that such sitting fees and commission is recommended by the Nomination and Remuneration Committee of the Board and approved by Board and shareholders of the Company or of the subsidiaries, as applicable.

Payments or benefits to Non- Executive Directors and Independent Directors by the Company

The Shareholders at the Annual General Meeting held on September 30, 2020 approved the payment of the sitting fees to Anita Ramachandran and Alpana Parida, and in supersession to the resolution passed at the Annual General Meeting held on September 30, 2020. The Shareholders at the Extra Ordinary General Meeting held on July 28, 2021 approved the payment of the sitting fees to Independent Directors for attending Board meetings and meetings of the committees of our Board and Subsidiaries as per the limits prescribed under the Companies Act, 2013 and SEBI LODR Regulations, as applicable. The sitting fees for FY 2021 were paid as under:

Sr. No.	Board/Committee	Sitting Fee (in ₹)
1.	Board	₹ 50,000 per meeting
2.	Audit Committee	₹ 30,000 per meeting
3.	Corporate Social Responsibility & Environmental, Social, and Governance Committee	₹ 20,000 per meeting
4.	Nomination and Remuneration Committee	₹ 20,000 per meeting
5.	Finance Cum Management Committee	₹ 20,000 per meeting
6.	Investment Committee	₹ 20,000 per meeting
7.	Share Allotment cum Transfer Committee	₹ 20,000 per meeting
8.	Risk Management Committee	₹ 20,000 per meeting
9.	Stakeholders Relationship Committee	₹ 20,000 per meeting
10.	IPO Committee	₹ 20,000 per meeting
11.	Fundraise Committee	₹ 20,000 per meeting

Except as disclosed below, the Company and its Subsidiaries have not paid any compensation or granted any benefit to any of the Directors (including contingent or deferred compensation) in all capacities in FY 2021.

1. Non-Executive Directors

Sr. No.	Name of the Director	Sitting fees paid (in ₹ million)	Commission Paid (in ₹ million)	Total Remuneration (in ₹ million)#
1.	Alpana Parida	0.34	0.50	0.84
2.	Anita Ramachandran	0.34	1.00	1.34
3.	Yogesh Mahansaria	0.34	1.00	1.34

#Paid in the capacity of being the Non-Executive Directors. Pursuant to the resolution passed by our Board on July 15, 2021 and the resolution passed by Shareholders on July 16, 2021, Anita Ramachandran and Alpana Parida were designated as Independent Directors of the Company.

Remuneration paid by Subsidiaries of the Companies:

Except as disclosed below, none of the Directors have received or were entitled to receive any remuneration, sitting fees or commission from any of our Subsidiaries in FY 2021.

- Nykaa E-Retail, one of the Subsidiary, has paid an amount of Rs.13.70 million as remuneration to Falguni Nayar, Executive Chairperson & Managing Director and Chief Executive Officer.

- Nykaa Fashion, one of the Subsidiaries, has paid an amount of Rs.16.97 million as remuneration to Adwaita Nayar, Executive Directors on our Board.

- FSN Brands, one of the Subsidiaries, has paid an amount of Rs.18.60 million as remuneration to Anchit Nayar, Executive Directors on our Board.

Bonus or profit-sharing plan for the Directors

Other than the variable pay plan as envisaged in the service contracts entered into with the Company by Ms. Falguni Nayar, Ms. Adwaita Nayar and Mr. Anchit Nayar, individually, the Company does not have any performance linked bonus or a profit-sharing plan for the Directors.

Shareholding of the Directors in our Company

Our Articles of Association do not require our Directors to hold qualification shares. The table below sets forth details of Equity Shares held by the Directors as on date:

Sr. No.	Name of the Director	Number of equity shares held	Percentage
1.	Alpana Parida	1,69,440	0.04
2.	Anchit Nayar	1,60,080	0.03
3.	Adwaita Nayar	30,060	0.01
4.	Anita Ramachandran*	67,800	0.01

** Jointly held with Krishnan Ramachandran.*

IV. COMMITTEES OF THE BOARD

The Board Committee are the pillars of the governance structure of the Company. The Board Committees are formed as a means of improving board effectiveness and efficiency in areas where more focused, specialized and technically oriented discussions are required. These committees prepare the groundwork for decision-making and enhance the objectivity and independence of the Board's judgment. The Members constituting the Committees are majority Independent Directors and each Committee is guided by its Charter or Terms of Reference, which outlines the composition, scope, roles & responsibilities of the Committees. The Chairperson of the Committees apprises the Board about the executive summary of the discussions held and decisions arrived at the Committee Meetings.

During the year, all recommendations of the Committees of the Board which were mandatorily required have been accepted by the Board. There are Ten Board constituted Committees as on date, which comprise of Five statutory committees and Five non-statutory committees (voluntary committees), details of which are as follows:

A. AUDIT COMMITTEE

Mr. Milind Sarwate
Chairperson

The Audit Committee ("Committee) comprises of six Directors including 4 independent Directors as on date:

1. Mr. Milind Sarwate
2. Ms. Anita Ramachandran
3. Ms. Alpana Parida
4. Mr. Seshashayee Sridhara
5. Mr. Milan Khakhar
6. Mr. Anchit Nayar

The scope and function of the Audit committee is in accordance with Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI Listing Regulations and its terms of reference are as follows:

(i) The Audit Committee shall have powers, which should include the following:
   (a) To investigate any activity within its terms of reference;
   (b) To seek information from any employee of the Company;
   (c) To obtain outside legal or other professional advice;
   (d) To secure attendance of outsiders with relevant expertise if it considers necessary; and
   (e) Such powers as may be prescribed under the Companies Act and SEBI Listing Regulations.

(ii) The role of the Audit Committee shall include the following:

(a) Oversight of the Company's financial reporting process, examination of the financial statement and the auditors' report thereon and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

(b) Recommendation for appointment, re-appointment and replacement, remuneration and terms of appointment of auditors, including the internal auditor, cost auditor and statutory auditor, of the Company and the fixation of audit fee;

(c) Approval of payments to statutory auditors for any other services rendered by the statutory auditors of the Company;

(d) Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

(i) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act;
(ii) Changes, if any, in accounting policies and practices and reasons for the same;
(iii) Major accounting entries involving estimates based on the exercise of judgment by the management of the Company;
(iv) Significant adjustments made in the financial statements arising out of audit findings;
(v) Compliance with listing and other legal requirements relating to financial statements;
(vi) Disclosure of any related party transactions; and
(vii) Qualifications / modified opinion(s) in the draft audit report.

(e) Reviewing, with the management, the quarterly, half yearly and annual financial statements before submission to the board for approval;

(f) Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the issue document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

(g) Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;

(h) Formulating a policy on related party transactions, which shall include materiality of related party transactions;

(i) Approval or any subsequent modification of transactions of the Company with related parties and omnibus approval for related party transactions proposed to be entered into by the Company subject to such conditions as may be prescribed;

***Explanation**: The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act, 2013.*

(j) Review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given;

(k) Scrutiny of inter-corporate loans and investments;

(l) Undertaking or supervising valuation of undertakings or assets of the Company, wherever it is necessary;

(m) Evaluation of internal financial controls and risk management systems;

(n) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

(o) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

(p) Discussion with internal auditors of any significant findings and follow up there on;

(q) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

(r) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

(s) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

(t) Recommending to the board of Directors the appointment and removal of the external auditor, fixation of audit fees and approval for payment for any other services;

(u) Reviewing the functioning of the whistle blower mechanism;

(v) Approval of the appointment of the Chief Financial Officer of the Company ("**CFO**") (i.e., the whole-time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc., of the candidate;

(w) Carrying out any other functions as provided under the provisions of the Companies Act, the SEBI Listing Regulations and other applicable laws;

(x) To formulate, review and make recommendations to the Board to amend the Terms of Reference of Audit Committee from time to time;

(y) Establishing a vigil mechanism for Directors and employees to report their genuine concerns or grievances;

(z) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee;

(aa) Reviewing the utilization of loans and/or advances from/investment by the holding Company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiaries, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision;

(bb) To consider and comment on rationale, cost- benefits and impact of schemes involving merger, demerger, amalgamation etc. on the Company and its shareholders; and

(cc) Carrying out any other functions as may be required / mandated and/or delegated by the Board as per the provisions of the Companies Act, 2013, SEBI Listing Regulations, uniform listing agreements and/or any other applicable laws or by any regulatory authority and performing such other functions as may be necessary or appropriate for the performance of its duties.

(iii) The Audit Committee shall mandatorily review the following information:

(a) Management discussion and analysis of financial condition and results of operations;

(b) Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management of the Company;

(c) Management letters/letters of internal control weaknesses issued by the statutory auditors of the Company;

(d) Internal audit reports relating to internal control weaknesses;

(e) The appointment, removal and terms of remuneration of the chief internal auditor.

(f) Statement of deviations:
   (i) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the SEBI Listing Regulations; and
   (ii) annual statement of funds utilised for purposes other than those stated in the issue document/prospectus/notice in terms of Regulation 32(7) of the SEBI Listing Regulations;

(g) To review the financial statements, in particular, the investments made by any unlisted subsidiary; and

(h) Such information as may be prescribed under the Companies Act and SEBI Listing Regulations.

As required under the Secretarial Standards, the Chairman of the Committee or, in his absence, any other Member of the Committee authorized by him on his behalf shall attend the General Meeting of the Company. Mr. Yogesh Mahansaria, the erstwhile Chairman of the Audit Committee was virtually present at the 8th AGM of the Company held through Video Conferencing facility on 30th September, 2020 to address the Shareholders' queries pertaining to Annual Accounts and Financial Results of the Company. The Committee met three times during the year under review on 19th August, 2020, 3rd November, 2020, 9th February, 2021. The attendance at the Meetings was as under:

AUDIT COMMITTEE MEETING					
Name of the Directors	**1** **19th August, 2020**	**2** **3rd November, 2020**	**3** **9th February, 2021**	**Held during tenure**	**Attended**
Yogeshkumar Mahansaria	√	√	√	3	3
Anita Ramachandran	√	√	√	3	3
William Sean Sovak	√	√	√	3	3
Alpana Parida Shah	√	√	√	3	3
Anchit Nayar	N.A.	N.A	√	1	1

B. NOMINATION AND REMUNERATION COMMITTEE

Ms. Anita Ramachandran
Chairperson

The Nomination and Remuneration Committee comprises of four Directors, including two Independent Directors as on Date:

1. Ms. Anita Ramachandran
2. Ms. Alpana Parida
3. Ms. Falguni Nayar
4. Mr. Milan Khakhar

The scope and function of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act read with Regulation 19 of the SEBI Listing Regulations and its terms of reference are as follows:

(a) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the Directors, key managerial personnel and other employees;

The Nomination and Remuneration Committee, while formulating the above policy, should ensure that:

(i) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate Directors of the quality required to run our Company successfully;
(ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
(iii) remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

(b) Formulation of criteria for evaluation of performance of independent Directors and the Board;

(c) Devising a policy on Board diversity;

(d) Identifying persons who are qualified to become Directors of the Company and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal. The Company shall disclose the remuneration policy and the evaluation criteria in its annual report;

(e) Analysing, monitoring and reviewing various human resource and compensation matters including the compensation strategy;

(f) Determining the Company's policy on specific remuneration packages for executive Directors including pension rights and any compensation payment, and determining remuneration packages of such Directors;

(g) Recommending the remuneration, in whatever form, payable non-executive Directors and to the senior management personnel and other staff (as deemed necessary);

(h) Reviewing and approving compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;

(i) Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent Directors;

(j) Perform such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(k) Administering the employee stock option scheme/plan approved by the Board and shareholders of the Company in accordance with the terms of such scheme/plan ("**ESOP Scheme**");

(l) Construing and interpreting the employee stock option scheme/plan approved by the Board and shareholders of the Company in accordance with the terms of such scheme/plan ("**ESOP Scheme**") and any agreements defining the rights and obligations of the Company and eligible employees under the ESOP Scheme, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the ESOP Scheme;

(m) Framing suitable policies, procedures and systems to ensure that there is no violation of securities laws, as amended from time to time, including:

(a) the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
(b) the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, as amended, by the Company and its employees, as applicable;

(n) Performing such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by the Nomination and Remuneration Committee; and

(o) Such terms of reference as may be prescribed under the Companies Act and SEBI Listing Regulations or applicable laws or by other regulatory authority.

As per section 178(7) of the Act and Secretarial Standards, the Chairman of the Committee or, in his absence, other Member of the Committee authorized by him in this behalf shall attend the General Meetings of the Company. Ms. Anita Ramachandran, Chairperson of the Committee was present at the 8th AGM of the Company held on 30th September, 2020.

The Committee met four during the year under review on 16th July, 2020, 19th August, 2020, 4th November, 2020, 9th February, 2021. The attendance at the Meetings was as under:

NOMINATION AND REMUNERATION COMMITTEE MEETING						
Name of the Directors	**1**	**2**	**3**	**4**	**Held during tenure**	**Attended**
	16th July, 2020	**19th August, 2020**	**04th November, 2020**	**09th February, 2021**		
Anita Ramachandran	√	√	√	√	4	4
Milan Khakhar	√	√	√	√	4	4
Yogesh Mahansaria	√	×	√	√	3	4
Alpana Parida	√	×	√	√	3	4

C. STAKEHOLDERS' RELATIONSHIP COMMITTEE

Ms. Alpana Parida
Chairperson

The Stakeholders Relationship Committee comprises of three Directors including one Independent Director as on Date:

1. Ms. Alpana Parida
2. Mr. Anchit Nayar
3. Ms. Adwaita Nayar

The scope and function of the Stakeholders' Relationship Committee is in accordance with Section 178 of the Companies Act, and Regulation 20 of the SEBI Listing Regulations and its terms of reference are as follows:

(a) Redressal of all security holders' and investors' grievances such as complaints related to transfer of shares, including non-receipt of share certificates and review of cases for refusal of transfer/transmission of shares and debentures, dematerialization and re-materialization of shares non-receipt of balance sheet, non-receipt of declared dividends, non-receipt of annual reports, etc., assisting with quarterly reporting of such complaints and formulating procedures in line with statutory guidelines to ensure speedy disposal of various requests received from shareholders;

(b) Reviewing of measures taken for effective exercise of voting rights by shareholders;

(c) Investigating complaints relating to allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;

(d) Giving effect to all transfer/transmission of shares and debentures, dematerialization of shares and re-materialization of shares, split and issue of duplicate/consolidated share certificates, compliance with all the requirements related to shares, debentures and other securities from time to time;

(e) Reviewing the measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company;

(f) Reviewing the adherence to the service standards by the Company with respect to various services rendered by the registrar and transfer agent of our Company and to recommend measures for overall improvement in the quality of investor services;

(g) Carrying out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act or SEBI Listing Regulations, or by any other regulatory authority;

(h) To approve allotment of shares, debentures or any other securities as per the authority conferred / to be conferred to the Committee by the Board of Directors from time to time;

(i) To approve requests for transfer, transposition, deletion, consolidation, sub-division, change of name, dematerialization, rematerialization etc. of shares, debentures and other securities;

(j) To monitor and expedite the status and process of dematerialization and rematerialization of shares, debentures and other securities of the Company; and

(k) Such terms of reference as may be prescribed under the Companies Act and SEBI Listing Regulations.

The Committee was constituted on 9th July, 2021 and hence no meetings were held during the period under review.

D. RISK MANAGEMENT COMMITTEE

Mr. Sanjay Nayar
Chairperson

The Risk Management Committee comprises of three Directors including one Independent Director as on Date:

1. Mr. Sanjay Nayar
2. Mr. Pradeep Parameswaran
3. Mr. Sanjay Suri

The terms of reference of the Risk Management Committee are as follows:

(a) To periodically review the risk management policy at least once in two years, including by considering the changing industry dynamics and evolving complexity;

(b) To formulate a detailed risk management policy covering risk across functions and plan integration through training and awareness programs;

(c) The policy shall include:

1. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, environment, social and governance related risks), information, cyber security risks or any other risk as may be determined by the committee;

2. Measures for risk mitigation including systems and processes for internal control of identified risks;

3. Business continuity plan.

(d) To approve the process for risk identification and mitigation;

(e) To decide on risk tolerance and appetite levels, recognizing contingent risks, inherent and residual risks including for cyber security;

(f) To monitor the Company's compliance with the risk structure. Assess whether current exposure to the risks it faces is acceptable and that there is an effective remediation of non-compliance on an on-going basis;

(g) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

(h) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

(i) To approve major decisions affecting the risk profile or exposure and give appropriate directions;

(j) To consider the effectiveness of decision making process in crisis and emergency situations;

(k) To balance risks and opportunities;

(l) To generally, assist the Board in the execution of its responsibility for the governance of risk;

(m) To keep the board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;

(n) To consider the appointment, removal and terms of remuneration of the chief risk officer (if any) shall be subject to review by the Risk Management Committee;

(o) The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary;

(p) The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of Directors;

(q) To attend to such other matters and functions as may be prescribed by the Board from time to time; and

(r) Such terms of reference as may be prescribed under the Companies Act and SEBI Listing Regulations.

The Committee was constituted on 9th July, 2021 and hence no meetings were held during the period under review.

V. PREVIOUS THREE ANNUAL GENERAL MEETINGS

Year	Date	Time	Location	Special Resolutions passed
2020*	30th September, 2020	12:00 P.M.	104 Vasan Udyog Bhavan, Sun Mill Compound, Lower Parel (W), Mumbai – 400013	Issue of Optionally Convertible Redeemable Non-Cumulative Preference Shares
2019	12th July, 2019	11:00 A.M.	#A2-4th Floor, Cnergy It Park, Old Standard Mill Compound, Prabhadevi, Mumbai – 400025	Nil
2018	11th September, 2018	03:00 P.M.	#A2-4th Floor, Cnergy It Park, Old Standard Mill Compound, Prabhadevi, Mumbai – 400025	Nil

*In compliance with the provisions of the Ministry of Corporate Affairs ("MCA") General Circular No. 20/2020 dated 5th May, 2020 read together with MCA General Circular Nos. 14 & 17/2020 dated 8th April, 2020 and 13th April, 2020 respectively, and Securities and Exchange Board of India ("SEBI") Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020, the Company conducted the AGM through Video Conferencing /Other Audio Visual Means ("VC"/"OAVM").

Further, in accordance with the Secretarial Standard-2 on General Meetings issued by the Institute of Company Secretaries of India ("ICSI") read with Clarification/Guidance on applicability of Secretarial Standards - 1 and 2 dated 15th April, 2020 issued by the ICSI, the proceedings of the AGM are deemed to be conducted at the Registered Office of the Company being the deemed venue of the AGM.

VI. SUBSIDIARY COMPANIES

Your Company has Six direct subsidiaries as on date:

(i) Nykaa E-Retail Private Limited
(ii) FSN Brands Marketing Private Limited
(iii) Nykaa Fashion Private Limited
(iv) Nykaa-KK Beauty Private Limited

(v) FSN International Private Limited and
(vi) FSN Distribution Private Limited

There are two Step-Down Subsidiaries viz. FSN Global FZE and Nykaa UK International Limited.

Regulation 16 of the Listing Regulations defines a "material subsidiary" to mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year. By virtue of this definition, Nykaa E-Retail Private Limited (Unlisted) and FSN Brands Marketing Private Limited (Unlisted) are material subsidiaries of the Company.

The subsidiaries of the Company function independently, with an adequately empowered Board of Directors and adequate resources. For more effective governance, the minutes of Board Meetings of subsidiaries of the Company are placed before the Board of Directors of the Company for their review at every upcoming Meeting.

In addition to the above, Regulation 24 of the Listing Regulations requires that at least one Independent Director on the Board of Directors of the listed entity shall be a Director on the Board of Directors of an unlisted material subsidiary, whether incorporated in India or not. For the purpose of this provision, material subsidiary means a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

There are two Subsidiaries which falls under the purview of the definition of unlisted material subsidiary as on date. Accordingly, one Independent Director each have been appointed on the Board of each unlisted material subsidiary.

VII. MEANS OF COMMUNICATION

The Company recognizes the importance of two way communication with Shareholders and of giving a balanced reporting of results and progress. Full and timely disclosure of information regarding the Company's financial position and performance is an important part of Your Company's corporate governance ethos.

VIII. GENERAL SHAREHOLDER INFORMATION

Pursuant to Circular issued by Ministry of Corporate Affairs ('MCA') dated 5th May, 2020 read together with MCA General Circular Nos. 14 & 17/2020 dated 8th April, 2020 and 13th April, 2020 respectively read with MCA General Circular No. 02/2021 dated 13th January, 2021, and SEBI's Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020, read with SEBI Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January, 2021 companies are allowed to conduct their AGM through video conferencing (VC) or other audio visual means (OAVM) for the calendar year 2021. Accordingly, Your Company will be conducting the AGM through VC/OAVM facility. Members can join the AGM in the VC/OAVM mode 30 minutes before the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice of AGM, and this mode will be available throughout the proceedings of the AGM.

In case of any query and/or help, in respect of attending AGM through VC/OAVM, Members may contact the help desk or board line number for assistance.

1. **9th Annual General Meeting**
   Date : 29th September, 2021
   Time : 05:00 PM
   Venue : Meeting through VC/OAVM

2. **Financial Year of the Company**

   The financial year covers the period from 1st April to 31st March

3. **Corporate Identity Number:** U52600MH2012PLC230136

4. **Registered Office Address:**
   104 Vasan Udyog Bhavan, Sun Mill Compound,
   Tulsi Pipe Road, Lower Parel Mumbai – 400013.

5. **Registrar and Transfer Agents**
   Link Intime India Private Limited
   C-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg,
   Vikhroli (West) Mumbai – 400083, India.
   Tel. No. : 022 4918 6000
   Fax : 022 - 4918 6060
   Email : linkcs@linkintime.co.in
   Website : linkintime.co.in
   Toll Free No. : 1800 1020 878

6. **Category wise shareholding as of 31st March, 2021: Please refer "Extract of Annual Return as provided in the Directors' Report"**

7. **Address for correspondence:**

   Shareholders may correspond with the Registrar and Transfer Agents at:
   Link Intime India Private Limited
   C-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg,
   Vikhroli (West) Mumbai – 400083, India.
   Tel. No. : 022 4918 6000
   Fax : 022 - 4918 6060
   Email : linkcs@linkintime.co.in
   Website : linkintime.co.in
   Toll Free No. : 1800 1020 878
   for all matters relating to transmission/dematerialisation of shares, payment of dividend and any other query relating to Equity Shares of Your Company.

   Your Company has also designated nykaacompanysecretary@nykaa.com as an exclusive email ID for Investors for the purpose of registering complaints.

8. Management Discussion and Analysis Report:

Management Discussion and Analysis Report forms part of this Annual Report.

IX. DISCLOSURES

Your Company is in the process of adopting various policies which are in accordance with the provisions of the Companies Act, 2013 and SEBI LODR Regulations.

Vigil Mechanism/Whistleblower Policy
Terms and Conditions of appointment of Independent Directors
Risk Management Policy
Remuneration Policy for Directors, KMP and other Employees
Related Party Transaction Policy
Policy for Succession Planning for the Board
Policy on Board Diversity
Material Subsidiary Policy
Insider Trading Policy
Code of Practises and Procedures for UPSI
Induction and Familiarisation Programme for Independent Director
Dividend Distribution Policy
Determining Materiality for Disclosure
Code of Conduct for Board and Senior Management
Board Evaluation Framework
Archival Policy
Policy for Preservation of documents
Nykaa Health, Safety and Environment Policy
CSR Policy

X. OTHER DISCLOSURES

1. Compliance with Listing Regulations

In the path to Initial Public Offer, Your Company has complied with the applicable requirements of Listing Regulations relating to Corporate Governance.

2. Compliance with Non-mandatory requirements Unmodified Audit Opinion

During the year under review, there is no audit qualification in Your Company's standalone financial statements. Your Company continues to adopt best practices to ensure regime of financial statements with unmodified audit qualifications.

3. Disclosure in relation to recommendation made by any Committee which was not accepted by the Board:

During the year under review, there were no such recommendations made by any Committee of the Board that were mandatorily required and not accepted by the Board.

FSN E-Commerce Ventures Private Limited

Standalone Financial Statements as on 31 March 2021

S.R. Batliboi & Associates LLP
Chartered Accountants

12th Floor, The Ruby,
29, Senapati Bapat Marg, Dadar (West)
Mumbai – 400028

V. C. Shah & Co.
Chartered Accountants

205-206 Regent Chambers, 2nd Floor,
Jamnalal Bajaj Road,208 Nariman Point,
Mumbai - 400021

INDEPENDENT AUDITORS' REPORT

To the Members of FSN E-Commerce Ventures Private Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **FSN E-Commerce Ventures Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity, for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations provided to us, the aforesaid standalone 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 2021, 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 financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the standalone Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India 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 financial statements.

Other Information

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

Our opinion on the standalone 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the standalone 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. The Directors' report is not made available to us as at the date of auditors' report. Accordingly, we have nothing to report in this regard.

Responsibilities of Management for the Standalone 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 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 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude

S.R. BATLIBOI & ASSOCIATES LLP * MUMBAI * CHARTERED ACCOUNTANTS

S.V.C. SHAH & CO. * CHARTERED ACCOUNTANTS * 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 financial statements, including the disclosures, and whether the standalone 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 financial statements of the Company for the year ended March 31, 2020, included in these standalone financial statements, have been audited solely by one of the joint auditors who expressed an unmodified opinion on those statements on August 20, 2020.

Report on Other Legal and Regulatory Requirements

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 A"** a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable, that:

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 Statement of Cash Flows 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 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, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in **"Annexure B"**, to this report;

S.R. BATLIBOI & ASSOCIATES LLP * CHARTERED ACCOUNTANTS * MUMBAI

V.C. SHAH & CO. * CHARTERED ACCOUNTANTS *

(g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2021;

(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 provided to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone financial statements – Refer Note 39 (B) the Standalone financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

per Vineet Kedia
Partner
Membership Number:212230
UDIN: 21212230AAAACC2661

Place of Signature: Mumbai
Date: June 08, 2021

For V. C. Shah & Co.
Chartered Accountants
ICAI Firm Registration Number: 109818W

V. C. SHAH & CO. CHARTERED ACCOUNTANTS

per A. N. Shah
Partner
Membership Number : 42649
UDIN: 21042649AAATJK7670

Place of Signature: Mumbai
Date: June 08, 2021

Annexure "A" to the independent auditor's report referred to in Paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our Report of even date

(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 in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, some fixed assets were physically verified during the year. No material discrepancies were noticed on such verification.

(c) According to the information and explanations provided to us, as the Company owns no immovable properties, the requirement on reporting whether title deeds of immovable properties held in the name of the Company is not applicable.

(ii) The management has conducted physical verification of inventory at reasonable intervals except for inventories lying with third parties amounting to Rs. 476 lakhs, which have not been verified during the year or at the end of the year. No material discrepancies were noted on such physical verification of inventories.

(iii) (a) The Company has granted loans to five subsidiaries covered in the register maintained under section 189 of the Companies Act, 2013 (the 'Act'). In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are prima facie not prejudicial to the Company's interest.

(b) The Company has granted loans to five subsidiaries covered in the register maintained under section 189 of the Act. The schedule of repayment of principal and payment of interest has been stipulated for the loans granted and the repayment/receipts are regular.

(c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Act which are overdue for more than ninety days.

(iv) In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Act in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made, guarantees, and securities given have been complied with by the Company..

(v) In our opinion and according to the information and explanations provided to us, the Company has complied with the provisions of sections 73 to 76 and any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder read with Notification G.S.R. 464(E) dated June 05, 2015 as amended, to the extent applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act for the products/services of the Company.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax,

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

C. SHAH & CO. CHARTERED ACCOUNTANTS

duty of customs, goods and service tax, cess and any other statutory dues to the appropriate authorities. The provisions relating to duty of excise, sales tax, service tax and value added tax are not applicable to the Company for the year ended March 31, 2021.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, there are no dues of income-tax, sales-tax, service tax, duty of customs, duty of excise, 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 bank. The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or to government or dues to debenture holders during the year.

ix According to the information and explanations given by the management and audit procedures performed by us, the Company has utilized the monies raised by way of term loan for the purpose for which they were raised. 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 provisions of section 197 read with Schedule V of the Act are not applicable to the Company and therefore reporting under clause 3(xi) are not applicable and hence not commented upon.

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 and audit procedures performed by us, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

xiv According to the information and explanations given by the management and audit procedures performed by us, the Company has complied with provisions of section 42 of Act in respect of the preferential allotment or private placement of shares. .

xv In our opinion and 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 to its Directors as referred to in section 192 of the Act.

S. R. Batliboi & Associates LLP * Mumbai * Chartered Accountants

N. C. Shah & Co. * Chartered Accountants xvi According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number:
101049W/E300004

per Vineet Kedia
Partner
Membership Number: 212230
UDIN: 21212230AAAACC2661

Place of Signature: Mumbai
Date: June 08, 2021

For V. C. Shah & Co.
Chartered Accountants
Firm Registration Number :
109818W

per A. N. Shah
Partner
Membership Number:42649
UDIN: 21042649AAATJK7670

Place of Signature: Mumbai
Date: June 08, 2021

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

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 with reference to standalone financial statements of **FSN E-Commerce Ventures Private Limited** ('the Company') as of March 31, 2021 in conjunction with our audit of the standalone 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 ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these standalone 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 with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to these standalone financial statements included obtaining an understanding of internal financial controls over financial reporting, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to these standalone financial statements .

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

A Company's internal financial control over financial reporting with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial

S.R. BATLIBOI & ASSOCIATES LLP * CHARTERED ACCOUNTANTS * MUMBAI

C. SHAH & CO. * CHARTERED ACCOUNTANTS *

reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to standalone 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 authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 With Reference to these Standalone Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2021, 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 issued by the ICAI..

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number:
101049W/E300004

S.R. BATLIBOI & ASSOCIATES LLP * MUMBAI * CHARTERED ACCOUNTANTS

per Vineet Kedia
Partner
Membership Number: 212230
UDIN: 21212230AAAACC2661

Place of Signature: Mumbai
Date: June 08, 2021

For V. C. Shah & Co.
Chartered Accountants
ICAI Firm Registration Number:
109818W

V. C. SHAH & CO. * CHARTERED ACCOUNTANTS *

per A. N. Shah
Partner
Membership Number: 42649
UDIN: 21042649AAATJK7670

Place of Signature: Mumbai
Date: June 08, 2021

FSN E-Commerce Ventures Private Limited
Standalone Balance Sheet as at 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

	Notes	As at 31 March 2021	As at 31 March 2020
Assets			
Non-current assets			
Property, plant and equipment	4	613.58	638.68
Right of use assets	5	550.67	670.56
Intangible assets	6A	125.56	441.27
Intangible assets under development	6B	-	67.68
Financial assets			
Investments	7	6,958.03	5,248.85
Loans	8	21,003.00	13,448.37
Other financial assets	9	1,288.50	96.40
Deferred tax assets (net)	10	1,982.12	2,777.42
Non current tax assets (net)		653.20	352.30
Total non-current assets		33,174.66	23,741.53
Current assets			
Inventories	11	3,321.82	4,634.18
Financial assets			
Trade receivables	12	6,372.25	2,551.09
Cash and cash equivalents	13	3,128.33	9,552.92
Bank balance other than cash and cash equivalents	14	16,101.95	7,365.24
Loans	15	8.54	57.99
Other financial assets	16A	1,019.94	237.65
Other current assets	16B	1,536.47	1,666.46
Total current assets		31,489.30	26,065.53
Total assets		64,663.96	49,807.06
Equity and liabilities			
Equity			
Equity share capital	17	1,505.73	1,454.91
Other equity	18	54,609.09	40,432.52
Total equity		56,114.82	41,887.43
Non-current liabilities:			
Financial liabilities			
Borrowings	19	-	14.95
Lease Liabilities	21	1,625.10	518.89
Long-term provisions	22	93.99	92.27
Total non-current liabilities		1,719.09	626.11
Current liabilities:			
Financial liabilities			
Borrowings	20	2,435.38	3,462.60
Lease liabilities	21	512.47	493.29
Trade payables	23		
-Total outstanding dues of Micro enterprise and small enterprises		156.89	90.03
-Total outstanding dues of creditors other than Micro enterprises and small enterprises		982.28	1,645.17
Other financial liabilities	24	1,769.40	887.56
Short-term provisions	25	172.05	1.34
Contract liabilities	26A	4.22	551.23
Other current liabilities	26B	797.36	162.30
Total current liabilities		6,830.05	7,293.52
Total liabilities		8,549.14	7,919.63
Total equity and liabilities		64,663.96	49,807.06
Significant accounting policies	2-3		

Accompanying note form an integral part of these standalone financials statements

As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W

AN Shah

A N Shah
Partner
Membership No: 42649

V. C. SHAH & CO. CHARTERED ACCOUNTANTS

As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230

S. R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Mumbai
Date: 08 June 2021

For and on behalf of Board of Directors of
FSN E-Commerce Ventures Private Limited

Falguni Nayar

Falguni Nayar
Managing Director & CEO
DIN No. 00003633

Milan Khakhar

Milan Khakhar
Director
DIN No. 00394065

Arvind Agarwal
Chief Financial Officer

Rajendra Punde
Company Secretary
ACS M.No.A9785

E-Commerce Ventures Private Mumbai

FSN E-Commerce Ventures Private Limited
Standalone Statement of Profit and Loss for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

	Notes	Year ended 31 March 2021	Year ended 31 March 2020
INCOME			
Revenue from operations	27	14,581.33	18,765.96
Other income	28	6,025.03	3,050.01
TOTAL INCOME		20,606.36	21,815.97
EXPENSES			
Cost of material consumed	29A	2,808.47	844.76
Purchase of traded goods	29B	2,048.41	7,149.31
Changes in inventories of finished goods and Stock-in-Trade	30	1,582.89	(1,474.45)
Employee benefits expense	31	1,906.16	2,475.68
Finance costs	32	412.09	477.88
Depreciation and amortisation expense	33	842.72	740.47
Other expenses	34	6,522.89	9,426.66
TOTAL EXPENSES		16,123.63	19,640.31
Profit / (Loss) before tax		4,482.73	2,175.66
Tax expense / (benefit) :			
Current tax		-	-
Deferred tax	10	863.82	668.75
Total tax expense /(benefit)		863.82	668.75
Profit / (Loss) after tax		3,618.91	1,506.91
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability		(23.81)	4.07
Income tax effect on above		5.99	(1.02)
Fair valuation of investments measured through OCI		(248.42)	57.33
Income tax effect on above		62.53	(24.00)
Items that will not be reclassified to profit or loss, net of tax		(203.71)	36.38
Total Comprehensive Income for the year		3,415.20	1,543.29
Earnings per share of face value Rs. 10/- each			
Basic earnings per share (in Rs.)	35	24.38	10.56
Diluted earning per share (in Rs.)		23.45	10.01

Significant accounting policies
Accompanying note form an integral part of these standalone financials statements

As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W

A N Shah
Partner
Membership No: 42649

V. C. SHAH & CO. CHARTERED ACCOUNTANTS

For and on behalf of Board of Directors of
FSN E-Commerce Ventures Private Limited

Falguni Nayar
Managing Director & CEO
DIN No. 00003633

Milan Khakhar
Director
DIN No. 00394065

As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230

Place: Mumbai
Date: 08 June 2021

S. R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Arvind Agarwal
Chief Financial Officer

Rajendra Punde
Company Secretary
ACS M.No.A9785

Mumbai

FSN E-Commerce Ventures Private Limited
Standalone Statement of Cash Flows for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Operating activities		
Net profit before tax as per Statement of profit & loss	4,482.73	2,175.66
Adjustments to reconcile profit / (loss) before tax to net cash flows:		
Add: Depreciation of property, plant & equipment	403.81	340.21
Add: Amortisation of intangible assets	438.91	400.26
Add: Interest expense and other finance costs	412.09	361.42
(Less): Realised (Gain) from sale of investments	(7.38)	(759.92)
Add: Share Based expense	111.50	91.88
Add: Provision for Gratuity expense	54.46	37.30
Add: Provision for Leave compensated expense	129.43	-
Add: Expected credit loss	58.93	-
Less: Commission on financial guarantee	(639.33)	(549.92)
Less: Interest income	(2,753.23)	(742.01)
Less: Rent waiver	(13.48)	-
Less: Sundry balance written back	-	(12.27)
Operating profit before working capital changes	2,678.44	1,342.61
Working capital Adjustments:		
(Increase) in trade receivables	(3,880.09)	(1,290.11)
Decrease/(Increase) in inventories	1,312.36	(2,359.17)
(Increase)/Decrease in current financial asset	(258.15)	61.18
(Increase) in non-current financial assets	(8,439.71)	(7,074.92)
Decrease in other current assets	129.99	593.73
(Decrease) in trade payables	(596.03)	(254.45)
(Decrease) in provisions	(11.46)	-
Increase in current financial liabilities	316.16	452.71
Increase/(decrease) in other current liabilities	635.06	(305.17)
Cash used in operations	(8,113.43)	(8,833.59)
Payment of taxes (net)	(300.90)	(250.98)
Net cash flow used in operating activities (A)	(8,414.33)	(9,084.57)
Investing activities		
Purchases of investments	-	13,024.98
Investment in subsidiaries	-	(10.00)
Purchase of Property, Plant and Equipment and other intangible assets	(192.96)	(564.10)
Investment in fixed deposits	(8,736.71)	(7,402.30)
Proceeds from sale of Investments	7.38	759.92
Interest Received (Finance Income)	2,220.64	1,654.89
Net cash flows (used in)/ from investing activities (B)	(6,701.65)	7,463.39
Financing activities		
Proceeds from issue of equity shares on exercise of share options	62.93	51.28
Proceeds from Share premium (net of expenses)	10,225.59	10,522.14
Repayment of Share Application money pending allotment	-	2.35
Repayment of Non-Current borrowings (net)	(14.95)	(7.25)
Repayment of Current borrowings (net)	(1,027.22)	1,055.32
Interest expenses on borrowings	(281.70)	(375.49)
Rental income on sub lease	325.04	79.93
Principal payment of lease liabilities	(475.64)	(484.16)
Interest expenses on lease liabilities	(122.66)	(102.39)
Net cash flows from used in financing activities (C)	8,691.39	10,741.73
Net (decrease)/ increase in cash and cash equivalents (A+B+C)	(6,424.59)	9,120.55
Cash and cash equivalents at the beginning of the year	9,552.92	432.37
Cash and cash equivalents at the year end	3,128.33	9,552.92

Note:
Non cash transactions relating to investing and financing activities. (Refer note no 16A.1, 18b, 24A.1 and 36).
The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS) 7 Statement of Cash flow.

Accompanying note form an integral part of these standalone financials statements

As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W

A N Shah
Partner
Membership No: 42649

As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230

Place: Mumbai
Date: 08 June 2021

For and on behalf of Board of Directors of
FSN E-Commerce Ventures Private Limited

Falguni Nayar
Managing Director & CEO
DIN No. 00003633

Milan Khakhar
Director
DIN No. 00394065

Arvind Agarwal
Chief Financial Officer

Rajendra Punde
Company Secretary
ACS M.No.A9785

V. C. SHAH & CO. CHARTERED ACCOUNTANTS

S. R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Ventures Mumbai

FSN E-Commerce Ventures Private Limited
Standalone Statement of Changes in Equity for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

a. Equity Share Capital:

Equity shares of INR 10 each issued, subscribed and fully paid	No. of shares	Amount
At 1 April 2019	1,42,42,509	1,424.25
Issue during the year	3,06,568	30.66
At 31 March 2020	1,45,49,077	1,454.91
Issue during the year	5,08,160	50.82
At 31 March 2021	1,50,57,237	1,505.73

b. Other Equity:

Instruments classified as Equity

0.001% Non-Cumulative, Optionally Convertible Redeemable Preference Shares ("OCRPS') of Rs. 10 each, partly paid up @ Rs 7.50 per share each.	No. of shares	Amount
At 1 April 2019	-	-
Issue during the year	2,75,000	20.63
At 31 March 2020	2,75,000	20.63
Issue during the year	1,61,500	12.11
At 31 March 2021	4,36,500	32.74

Terms/ rights attached to Optionally Convertible Redeemable Preference Shares :
4,36,500 Nos (Previous year 2,75,000) 0.001% p.a. non-cumulative OCRPS of Rs 7.50 each (partly paid up) aggregating Rs 32.74 lakhs (Previous year 20.63 lakhs) towards face value have a tenure of 5 (five) years from the date of allotment. 1 Fully Paid up OCRPS shall be converted into 1 Equity share of the face value Rs 10 each at the end of the tenure. Company shall have option to redeem the fully paid up OCRPS at the issue price as per conditions given in the letter of offer.

For the year ended 31 March 2021

Particulars	Share application money pending allotment	Reserves & Surplus		Other comprehensive income (OCI)	Employee share options scheme reserve	Total other equity
		Retained Earnings	Securities premium			
As at 1st April 2020	2.35	(6,470.33)	45,722.53	59.00	1,098.34	40,411.89
Net Profit / (Loss) for the year	-	3,618.91	-	-	-	3,618.91
Other comprehensive income	-	-	-	(203.71)	-	(203.71)
Total comprehensive income	2.35	(2,851.42)	45,722.53	(144.71)	1,098.34	43,827.09
Securities premium on issue of shares	-	-	10,356.82	-	-	10,356.82
Shares allotted during the year	(2.35)	-	717.61	-	(717.61)	(2.35)
Addition during the year	-	-	-	-	526.02	526.02
ESOP lapse	-	13.06	-	-	(13.06)	-
Share issue expenses	-	-	(131.23)	-	-	(131.23)
As at 31 March 2021	-	(2,838.36)	56,665.73	(144.71)	893.69	54,576.35

For the year ended 31 March 2020

Particulars	Share application money pending allotment	Reserves & Surplus		Other comprehensive income (OCI)	Employee share options scheme reserve	Total other equity
		Retained Earnings	Securities premium			
As at 1st April 2019	-	(7,978.25)	34,921.64	22.62	942.00	27,908.01
Net Profit / (Loss) for the year	-	1,506.91	-	-	-	1,506.91
Other comprehensive income	-	-	-	36.38	-	36.38
Total comprehensive income	-	(6,471.34)	34,921.64	59.00	942.00	29,451.30
Securities premium on issue of shares	-	-	10,522.14	-	-	10,522.14
Shares allotted during the year	-	-	278.75	-	(278.75)	-
Addition during the year	2.35	-	-	-	436.10	438.45
ESOP lapse	-	1.01	-	-	(1.01)	-
Transfer to retained earnings	-	-	-	-	-	-
As at 31 March 2020	2.35	(6,470.33)	45,722.53	59.00	1,098.34	40,411.89

Significant accounting policies
Accompanying note form an integral part of these standalone financials statements

As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W

A N Shah
Partner
Membership No: 42649

V. C. SHAH & CO. CHARTERED ACCOUNTANTS

As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230

Place: Mumbai
Date: 08 June 2021

S. R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

For and on behalf of Board of Directors of
FSN E-Commerce Ventures Private Limited

Falguni Nayar
Falguni Nayar
Managing Director & CEO
DIN No. 00003633

Milan & Khakhar
Milan Khakhar
Director
DIN No. 00394065

Arvind Agarwal
Chief Financial Officer

Rajendra Punde
Company Secretary
ACS M.No.A9785

Mumbai

FSN E-commerce Ventures Private Limited
Notes to Standalone Financial Statements as at and for the year ended 31 March 2021
Amounts in Indian Rupees in lakhs

1. Corporate Information

FSN E-Commerce Ventures Private Limited (the 'Company') is a private limited company incorporated and domiciled in India. The registered office of the Company is located at 104, Vasan Udyog Bhavan. Sun Mill compound, Tulsi Pipe Road, Lower Parel, Mumbai - 400013.

The Company is engaged in the business of manufacturing, selling & distribution of beauty, wellness, fitness, personal care, health care, skin care, hair care products on the online platforms or websites such as e-commerce, m-commerce, internet, intranet as well as through physical stores, stalls, general trade and modern trade etc.

The financial statements for the year ended 31 March 2021 were approve by the Board of Directors and authorised for issue on 8 June 2021

The Company's financial statements are presented in Indian Rupees (Rs.), which is the functional currency and all values are rounded to the nearest lakhs ('00,000), except when otherwise stated.

2. Significant accounting policies

2A. Basis of preparation

i) Statement of compliance:
These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as prescribed under Section 133 of the Companies Act, 2013 (the "Act') read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III).

ii) Historical cost convention:
The financial statements have been prepared on a historical cost convention on accrual basis, except for certain assets and liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2B. Summary of significant accounting policies

a) 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 realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be settled within twelve months after the reporting period or
- Cash or cash equivalents 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.

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A liability is current when:

- It is expected to be settled in normal operating cycle or due to be settled within twelve months after the reporting period
- It is held primarily for the purpose of trading
- 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 realization in cash and cash equivalents. The Company has identified period of twelve months as its operating cycle.

b) Property Plant & Equipment

Property, Plant & Equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of Property, Plant & Equipment is included in asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit and loss for the period during which they are incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Cost incurred on Property, plant and equipment not ready for their intended use is disclosed as Capital Work-in-Progress. Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date are classified as capital advances under other non-current assets.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of Property, Plant & Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Depreciation on Property, Plant & Equipment:

Depreciation is provided using the Straight Line Method based on useful lives of the assets prescribed in Schedule II to the Companies Act, 2013.
Leasehold improvements are amortized on a straight line basis over the period of primary lease or the expected useful life whichever is lower.

Estimated useful lives of the assets are as follows:

Property Plant & Equipment	Useful lives (in years)
Plant and Equipment	8
Computers	3

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Furniture & Fixtures	10
Office Equipments	5
Vehicles	8

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively for any change in estimate, if appropriate. Changes in expected useful lives are treated as change in accounting estimates.

c) Intangible assets

Intangible Assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Following, initial recognition, intangible assets with finite lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Amortization of intangible assets:
Intangible assets are amortized on straight line basis as per the following useful lives:

Intangible asset	Useful lives (in years)
Business application development (Internally generated)	3
Software	3

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

d) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date. If there is any indication of impairment based on internal / external factors, an impairment loss is recognised, i.e. wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared for the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the statement of profit and loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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e) Inventory

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: 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.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs. Cost is determined on first in, first out basis.
- Stock in Trade: 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.

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

An inventory provision is recognised for cases where the net realisable value is estimated to be lower than the inventory carrying value. The net realisable value is estimated taking into account various factors, including obsolescence of material due to design change, process change etc., unserviceable items i.e. items which cannot be used due to deterioration in quality or due to shelf life or damaged in storage and ageing of material i.e. slow moving/non-moving prevailing sales prices of inventory.

f) Leases

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

<u>Company as a lessee:</u>

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

i. Right-of-use assets (ROU asset)

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Right of use for Properties 2 to 5 years

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

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

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

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

iii. Short term leases and leases of low value assets:
The Company applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases where the underlying asset is considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Sub-lease

At the commencement date, the Company recognises assets held under a sub-lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease. The Company uses the interest rate implicit in the lease to measure the net investment in the lease. In case if the interest rate implicit in the sublease cannot be readily determined, the Company being an intermediate lessor uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties, if any, for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on net investment in the lease.
Net investment in the lease are subject to the derecognition and impairment requirements in Ind AS 109. The Company regularly reviews estimated unguaranteed residual values, if any, used in computing the gross investment in the lease and adjusts the income allocation accordingly.

g) **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.

I. Initial recognition and measurement:
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All Financial assets and liabilities are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Financial Assets
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in section (i(I)) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial Liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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II. Subsequent measurement:

i. Financial assets

For purposes of subsequent measurement, financial assets are classified in three categories:
- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value though profit or loss

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The Company's financial assets at amortised cost includes trade and other receivables, loans to employees and loan to subsidiaries.

Financial Assets at fair value through other comprehensive Income (FVTOCI)

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within business model whose objective is achieved by both collecting contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and selling financial assets.

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

Financial assets are measured at fair value through profit or loss unless it measured at amortised cost or fair value through other comprehensive income on initial recognition. The transaction cost directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in the statement of profit and loss.

ii. Financial liabilities

Financial liabilities at fair value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts)

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through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 115.

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

III. Derecognition
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:
• The rights to receive cash flows from the asset have expired
Or
• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of profit and loss if such gain or loss would have otherwise been recognised in statement of profit and loss on disposal of that financial asset.

*Financial Liabilities*A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

IV. Impairment of financial assets:
In accordance with Ind AS 109, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115
b) Investments
c) Other financial assets such as deposits, advances etc.

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The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables

V. Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

VI. Investment in subsidiaries and associates
The Company has accounted for its investment in subsidiaries and associates at cost.

h) Revenue recognition:

I. Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

The Company identifies the performance obligations in its contracts with customers and recognises revenue as and when the performance obligations are satisfied. The specific recognition criteria described below must also be met before revenue is recognised.

i. Sale of products:
Revenue is recognised upon transfer of control of promised products to customer in an amount that reflects the consideration which the company expects to receive in exchange for products. Revenue from the sale of products is recognised when products are delivered to customer. Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers.

Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

ii. Contract balances:

- **Contract assets**
A contract asset is the right to consideration in exchange for products or services transferred to the customer. If the Company performs by transferring products or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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- **Trade receivables**
  A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section - Financial instruments – initial recognition and subsequent measurement.

- **Contract liabilities**
  A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract

II. Interest income:

Interest income is accrued on time basis, by reference to the principle outstanding and using the effective interest rate method. Interest income is included under the head "Other income" in the statement of profit and loss.

i) Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

j) Foreign currency transactions

Functional and presentation currency
The financial statements are presented in Indian Rupees (INR), which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

Foreign currency transactions and balances
(i) Initial recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion
Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

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(iii) Exchange differences

Exchange differences arising on settlement or translation of other monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the statement of profit and loss in the year in which they arise.

k) Share based payments

Employees (including senior executives) of the company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions 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. The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Expense relating to options granted to employees of the subsidiaries under the company's share-based payment plan, is cross charged for their share of the ESOP cost by equity settlement.

l) *Post-employment* and other employee benefits

Short term employee benefits

All short term employee benefits such as salaries, incentives, medical benefits which are expected to be settled wholly within 12 months after the end of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the statement of profit and loss.

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Post-employment benefits

i. Defined Contribution Plans

Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the year when the contribution to the funds is due. There are no other obligations other than the contribution payable to the fund. The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service.

ii. Defined Benefit Plans

Gratuity

The company have an obligation towards gratuity, a defined benefit plan covering eligible employees. The plan provides for a lump-sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The gratuity benefits are unfunded.

Gratuity liability is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through 'Other comprehensive income' in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Compensated absences

The Company provides for the encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment. The liability is provided based on the number of days of unutilised leave at each balance sheet date on the basis of an independent actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer the settlement for at least 12 months after the reporting date, regardless of when the actual settlement.

m) Borrowing cost

Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they are

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incurred. Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowing to the extent they are regarded as adjustment to the interest cost.

n) 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The management assessed that cash and cash equivalents, trade receivables, advances, trade payables, bank overdraft and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The management selects appropriate valuation techniques using discounted cash flow model when the fair value of the financial assets and liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. External valuers are involved for valuation of significant assets and liabilities. The management selects external valuer on various criteria such as market knowledge, reputation, independence and whether professional standards are maintained by valuer. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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o) Income taxes

Tax expense comprises current and deferred tax.

Current income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and the carry forward of any unused tax losses. Deferred tax assets are 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 losses can be utilized.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Current tax and deferred tax are measured using the tax rates and tax laws enacted or substantively enacted, at the reporting date. Current income tax and deferred tax relating to items recognized outside profit and loss is recognized outside profit and loss (either in OCI or in equity). The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company reflect the effect of uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

p) 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, and other short term highly liquid investments which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

q) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow

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of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

r) Earnings per share

Basic earnings per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, except where the result would be anti-dilutive.

s) Segment reporting policies

Considering Company's aggressive expansion plan for driving synergy across fulfilment models, sales channels and product categories, it necessitates change in current review mechanism. The management reviews and allocates resources based on Omni business and Omni channel strategy, which in the terms of Ind AS 108 on 'Operating Segments' constitutes a single reporting segment.

t) Share capital

Equity shares are classified as equity. Incremental costs directly attributable to the issue of equity shares are recognised as a deduction from equity.

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3A. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. Such judgments, estimates and associated assumptions are evaluated based on historical experience and various other factors, including estimation of the effects of uncertain future events, which are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The following are the critical judgements and estimations that have been made by the management in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognised in the financial statements and/or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

I. Judgements:

- **Determining the lease term of contracts with renewal and termination options – the Company as lessee**

  The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

II. Estimates and assumptions:

a. Estimation of useful life of property, plant and equipment and intangible asset
Property, plant and equipment and intangible assets represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets.

b. Fair Value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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c. Estimation of defined benefit obligation and compensated absences

The cost of the defined benefit gratuity plan, compensated absences and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. Future salary increases are based on expected future inflation rates. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at interval in response to demographic changes.

d. Revenue recognition

The Company recognises revenue on the satisfaction of the performance obligations in its contracts with customers. All the contracts contain a single performance obligation, i.e., sale of goods or rendering of Services which is satisfied over a point in time or period of time respectively. Judgement is also required to determine the transaction price for the contract. Company uses the expected cost plus margin approach to determine the transaction price.

e. Income Taxes

Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

f. Deferred Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. In assessing the probability the Company considers whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company has recognised deferred tax assets on the unused tax losses and other deductible temporary differences since the management is of the view that it is probable the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets.

g. Provisions

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

h. Impairment of financial assets:

The impairment provisions for financial assets depending on their classification are based on assumptions about risk of default, expected cash loss rates, discounting rates applied to these forecasted future cash flows, recent transactions and independent valuer's report. The Company uses judgement in making these

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assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

i. Measurement of fair value of non-marketable equity investments:
These instruments are initially recorded at cost and subsequently measured at fair value. Fair value of investments is determined using the income approaches. The income approach includes the use of discounted cash flow model, which requires significant estimates regarding the investees' revenue, costs, and discount rates based on the risk profile of comparable companies. Estimates of revenue and costs are developed using available historical and forecast data.

j. Provision for expected credit losses of trade receivables and contract assets:
The Company uses a simplified approach to determine impairment loss allowance on the portfolio of trade receivables. This 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 the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future.

k. Leases – Estimating the incremental borrowing rates:
The comapny cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's credit rating).

l. Other estimates:
The share-based compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

3B. <u>Standard / Amendments issued:</u>

a. Amendment to Ind AS 116 – Leases
The Ministry of Corporate Affairs ('MCA') issued amendments to Ind AS 116, "Leases", provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments allowed the expedient to be applied to COVID-19-related rent concessions to payments originally due on or before 30 June 2021 and also require disclosure of the amount recognized in profit or loss to reflect changes in lease payments that arise from COVID-19-related rent concessions. The reporting period in which a lessee first applies the amendment, it is not required to disclose certain quantitative information required under Ind AS 8. Accordingly, the company recognized resulting gain on reversal of lease liability in the financial statement for the year ended 31 March 2021.

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b. On 24 March 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from 1 April 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:
• Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current.
• Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
• Specified format for disclosure of shareholding of promoters.
• Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.
• If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
• Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

Statement of profit and loss:
• Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the standalone financial statements.

The amendments are extensive and the Company will evaluate the same to give effect to them as required by law.

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FSN E-Commerce Ventures Private Limited
Notes to the Standalone financial statements for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

4 Property, plant and equipment

	Computer Equipment	Furniture & Fixtures	Office equipments	Vehicles	Plant and equipment	Leasehold improvements	Total
At 1 April 2019	44.98	150.68	16.71	43.98	20.49	174.41	451.25
Additions	11.65	371.69	22.92	-	9.68	-	415.94
Disposals/transfers	-	-	-	-	-	-	-
At 31 March 2020	56.63	522.37	39.63	43.98	30.17	174.41	867.19
Additions	8.36	-	82.00	-	1.28	50.25	141.89
Disposals/transfers		(2.47)					(2.47)
At 31 March 2021	64.99	519.90	121.63	43.98	31.45	224.66	1,006.61
Accumulated depreciation							
At 1 April 2019	29.44	7.97	3.46	5.26	1.28	100.28	147.69
Depreciation charge for the year	8.47	26.60	4.76	5.22	3.07	32.70	80.82
Disposals/adjustments	-	-	-	-	-	-	-
At 31 March 2020	37.91	34.57	8.22	10.48	4.35	132.98	228.51
Depreciation charge for the year	12.56	47.40	5.95	32.79	3.61	62.91	165.22
Disposals/adjustments	-	(0.70)	-	-	-	-	(0.70)
At 31 March 2021	50.47	81.27	14.17	43.27	7.96	195.89	393.03
Net Book Value							
At 31 March 2021	14.52	438.63	107.46	0.71	23.49	28.77	613.58
At 31 March 2020	18.72	487.80	31.41	33.50	25.82	41.43	638.68

#Movable assets have been pledged to secure borrowings of the Company (Refer Note-20.1)
*Gross carrying amount of Rs 20 lakhs and Rs. 80 lakhs of Plant and machinery and furnitures and fixtures respectively are lying at the third party vendors i.e. vednor's/distributers and retailers.

On transition to Ind AS (i.e. 1 April 2018), the company has elected to continue with the carrying value of all Property, plant and equipment measured as per the previous GAAP and use that carrying value as the deemed cost of Property, plant and equipment.

5 Right of Use Assets

	Right of Use Assets	Total
Cost or deemed cost (gross carrying amount)		
At 1 April 2019	389.41	389.41
Additions	663.96	663.96
Disposals/transfers	-	-
At 31 March 2020	1,053.37	1,053.37
Additions	161.41	161.41
Disposals/transfers	(56.94)	(56.94)
At 31 March 2021	1,157.84	1,157.84
Accumulated depreciation		
At 1 April 2019	123.42	123.42
Depreciation charge for the year	259.39	259.39
Disposals/adjustments	-	-
At 31 March 2020	382.81	382.81
Depreciation charge for the year	238.59	238.59
Disposals/adjustments	(14.23)	(14.23)
At 31 March 2021	607.17	607.17
Net Book Value		
At 31 March 2021	550.67	550.67
At 31 March 2020	670.56	670.56

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(All amounts in Rs. lakhs, unless otherwise stated)

6A Intangible assets

	Catalogue	Business application development cost	Computer Softwares	Total
Cost or deemed cost (gross carrying amount)				
At 1 April 2019	971.75	74.06	14.83	1060.64
Additions	-	50.62	9.68	60.30
Disposals/transfers	-	-	-	
At 31 March 2020	971.75	124.68	24.51	1,120.94
Additions	-	-	123.20	123.20
Disposals/transfers				-
At 31 March 2021	971.75	124.68	147.71	1244.14
Accumulated amortisation				
At 1 April 2019	248.67	28.69	2.05	279.41
Amortisation charge for the year	356.31	37.05	6.90	400.26
Disposals/adjustments	-	-	-	-
At 31 March 2020	604.98	65.74	8.95	679.67
Amortisation charge for the year	366.77	22.66	49.48	438.91
Disposals/adjustments	-	-	-	-
At 31 March 2021	971.75	88.40	58.43	1,118.58
				-
Net Book Value				-
At 31 March 2021	-	36.28	89.28	125.56
At 31 March 2020	366.77	58.94	15.56	441.27

On transition to Ind AS (i.e. 1 April 2018), the company has elected to continue with the carrying value of all Intangible assets measured as per the previous GAAP and use that carrying value as the deemed cost of Intangible Assets.

6B Intangible assets under development

At 1 April 2019	-
Addition	67.68
Capitalisation	-
At 31 March 2020	67.68
Addition	-
Capitalisation	67.68
At 31 March 2021	-

Intangible assets under developmemt include cost for implementation of accounting software microsoft dynamics D365
On transition to Ind AS (i.e. 1 April 2018), the company has elected to continue with the carrying value of all Intangible assets measured as per the previous GAAP and use that carrying value as the deemed cost of Intangible Assets.

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7 Investments

Particulars	As at 31 March 2021		As at 31 March 2020	
	Units	Amount	Units	Amount
NON-CURRENT INVESTMENTS				
Measured at cost				
Investment in equity instrument				
Investments in subsidiaries (Unquoted, fully paid up)				
FSN Brands Marketing Private Limited of Rs 10/- each	20,00,000	200.00	20,00,000	200.00
Nykaa E-Retail Private Limited of Rs 10/- each	95,10,000	951.00	95,10,000	951.00
FSN International Private Limited of Rs 10/- each	1,00,000	10.00	1,00,000	10.00
Nykaa Fashion Private Limited of Rs. 10/- each	10,000	1.00	10,000	1.00
Nykaa-KK Beauty Private Limited of Rs. 10/- each	5,10,000	51.00	5,10,000	51.00
Total investments measured at cost		1,213.00		1,213.00
Equity Component -Loans				
FSN Brands Marketing Private Limited		1,776.04		1,024.26
Nykaa E-Retail Private Limited		160.89		160.89
Nykaa Fashion Private Limited		344.96		212.08
Nykaa KK Beauty Private Limited		65.72		65.72
FSN International		2.90		2.48
Equity Component - Financial Guarantees				
FSN Brands Marketing Private Limited		226.00		132.00
Nykaa E-Retail Private Limited		1,631.67		1,098.67
Nykaa Fashion Private Limited		14.00		-
Nykaa KK Beauty Private Limited		34.00		17.00
Equity Component - ESOP				
FSN Brands Marketing Private Limited		88.05		57.08
Nykaa E-Retail Private Limited		1,141.46		785.43
Nykaa Fashion Private Limited		123.82		99.91
Nykaa KK Beauty Private Limited		3.61		-
Total investment - equity component		5,613.12		3,655.52
Measured at fair value through Other Comprehensive Income (FVTOCI)				
Investment in Others (Unquoted, fully paid up)				
JMS Logistics and Express Private Limited				
In Series A1 Compulsory Convertible Cumulative Preference Shares of Re. 1/- each		131.91		380.33
Total investments measured at FVTOCI		131.91		380.33
Total Non-current investments		6,958.03		5,248.85

7.1 CATEGORY-WISE INVESTMENT

Measured at Cost	6,826.12	4,868.52
Measured at Fair Value Through Other Comprehensive Income (FVTOCI)	131.91	380.33
Measured at Fair Value Through Profit and Loss (FVTPL)	-	-
Total Investments	6,958.03	5,248.85
Aggregate amount of Unquoted Investments	6,958.03	5,248.85
Aggregate amount of impairment in value of investments	248.42	-

During the year the Company has recognised the impact of decline in the fair value of investment of Rs. 248.42 lakhs (previous year INR Nil) through other comprehensive income.

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8 a) Loans (non-current)

	As at 31 March 2021	As at 31 March 2020
(Unsecured and considered good)		
(Measured at amortised cost, except otherwise stated)		
Loan to related parties (Refer note 38)		
Loan to FSN Brands Marketing Private Limited	17,619.31	10,608.02
Loan to Nykaa E-Retail Private Limited	-	755.70
Loan to Nykaa Fashion Private Limited	3,237.91	1,797.30
Loan to Nykaa KK Beauty Private Limited	3.64	205.36
Loan to FSN International Private Limited	25.50	20.25
Total	20,886.36	13,386.63

8.1 The above loans have been given for business purpose.
8.2 Maximum amount of loan outstanding during the year for Nykaa KK Beauty Private Limited was INR 1567.20 lakhs (31 March 2020 - INR 1,160.72 lakhs)

	As at 31 March 2021	As at 31 March 2020
b) Loans (current)		
(Measured at amortised cost, except otherwise stated)		
Security Deposits (unsecured)		
Considered Good	116.64	61.74
(Security Deposits given for the period ranging from 2 to 5 years)	116.64	61.74
Total	21,003.00	13,448.37

9 Other financial assets (non-current)

	As at 31 March 2021	As at 31 March 2020
Sublease net investments	1,288.50	96.40
	1,288.50	96.40

(For details of Net Sublease investment with related party refer note 38 related party disclosures)

10 Income Taxes

The major components of income tax expense for the years ended 31 March 2021 and 31 March 2020 are:
A Statement of profit and loss:

	For the year ended 31 March 2021	For the year ended 31 March 2020
i. **Profit or loss section:**		
Current income tax:		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	863.82	668.75
Income tax expense/(income) reported in the statement of profit or loss	863.82	668.75
ii. **OCI section - Deferred tax related to items recognised in OCI during the year:**		
Tax Expenses/(Income) on remeasurements of defined benefit plans & Investment	68.52	(25.02)
Income tax expense charged / (credited) to OCI	68.52	(25.02)

B Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2021 and 31 March 2020:

	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit before tax	4,482.73	2,175.66
Applicable tax rate	25.17%	25.17%
Tax using the Company's domestic tax rate	1,128.30	547.61
Tax effect of:		
Interest income on loan to subsidiary	(136.33)	(25.77)
Commission on financial guarantee	(160.92)	(138.41)
Others	32.95	285.32
Income tax expenses as per statement of profit and lossTotal tax expense	864.00	668.75
Current tax expense	-	-
Deferred tax reversal /(provision)	863.82	668.75
Tax expense recognized in the statement of profit and loss	863.82	668.75
Effective tax rate	19.27%	30.74%

C Gross movement in the current income tax assets/(liabilities) for the years ended March 31, 2021 and March 31, 2020:

Particulars	As at 31 March 2021	As at 31 March 2020
Net income tax asset at the beginning	352.30	101.32
Income tax paid	300.90	250.98
Current income tax expense	-	
Net income tax asset at the end	653.20	352.30
Income tax assets as per balance sheet	653.20	352.30

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D Deferred tax:

i. Deferred tax assets and liabilities are attributable to the following:

Particulars	As at 31 March 2021	As at 31 March 2020
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	195.33	23.56
Impact of brought forward losses	1,583.75	2,657.81
Impact of difference between tax depreciation / amortisation and depreciation / amortisation as per books	203.03	120.04
Deferred tax assets (A)	**1,982.11**	**2,801.41**
Fair value in the value of investments	-	23.99
Deferred tax liabilities (B)	-	23.99
Deferred tax assets (net) (C=A-B)	**1,982.11**	**2,777.42**

ii. Reconciliation of deferred tax assets (net):

	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening balance as of 1 April	2,777.42	3,471.19
Tax income/(expense) during the period recognised in profit or loss	(863.82)	(668.75)
Tax income/(expense) during the period recognised in OCI	68.52	(25.02)
Closing balance as at 31 March	1,982.12	2,777.42

11 Inventories

	As at 31 March 2021	As at 31 March 2020
(Valued at lower of cost and net realisable value)		
Stock in trade	734.66	3,716.71
Finished goods	1,431.91	32.75
Raw Materials	262.19	249.85
Packing material	893.06	634.87
Total	3,321.82	4,634.18

During the year ended 31 March 2021, INR 382.00 lakhs (31 March 2020: INR 42.74 lakhs) is recognised as provision taking into account various factors, including obsolescence of material, unserviceable items and ageing of material

12 Trade receivables (unsecured)

	As at 31 March 2021	As at 31 March 2020
Trade receivables - Considered Good	6,372.25	2,551.09
Trade Receivables which have significant increase in credit risk	64.18	5.25
Less: Allowances for expected credit loss (Refer note no 43B)	(64.18)	(5.25)
	6,372.25	2,551.09

(For details of trade receivable with related party refer note 38 related party disclosures)
No trade receivable are due from directors or other officers of the company either severally or jointly with any other person.
Trade receivables are non-interest bearing and are generally on terms of 0 to 60 days

13 Cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
Cash on hand	1.54	1.51
Balances with banks		
- in current accounts	671.88	5,935.39
Deposits with original maturity of less than three months		
- With Banks	1,454.91	3,309.59
- With Financial Institution.	1,000.00	-
Cheques on hand	-	306.43
	3,128.33	9,552.92

Cash at banks earns interest at floating rates based on daily bank deposit rates on deposits. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

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14 Bank balance other than cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
Deposits with original maturity for more than 3 months but less than 12 months		
- With Banks	14,399.95	7,265.24
- With Financial Institution.	1,702.00	100.00
	16,101.95	7,365.24

15 Loans and advances

	As at 31 March 2021	As at 31 March 2020
(Measured at amortised cost, except otherwise stated)		
Security Deposits (unsecured)		
Considered Good	8.54	57.99
	8.54	57.99

16A Other financial assets (current)

	As at 31 March 2021	As at 31 March 2020
Sublease net investments	269.92	216.06
Unbilled receivable	263.63	-
Interest accrued on deposit but not due	486.39	21.59
	1,019.94	237.65

16A.1 Movement in Interest accrued on deposit but not due

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance	21.59	0.76
Interest accrued during the year	2,685.44	1,675.72
Receipt of interest during the year	(2,220.64)	(1,654.89)
Closing balance	486.39	21.59

16B Other current assets

	As at 31 March 2021	As at 31 March 2020
Advance to suppliers (unsecured, considered good)	659.76	1,110.82
Advance against expenses (unsecured, considered good)	736.03	63.81
Prepaid expenses	140.68	222.41
Balance with statutory / government authorities	-	269.42
	1,536.47	1,666.46

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17 Share Capital

	No. of shares	-
i) Authorised Share Capital		
At 1 April 2019	1,50,00,000	1,500.00
Increase / (decrease) during the year	50,00,000	500.00
At 31 March 2020	2,00,00,000	2,000.00
Increase / (decrease) during the year	-	-
At 31 March 2021	2,00,00,000	2,000.00

	No. of shares	-
ii) Authorised Equity Share Capital (Equity shares of Rs. 10 each)		
At 1 April 2019	1,50,00,000	1,500.00
Increase / (decrease) during the year	45,00,000	450.00
At 31 March 2020	1,95,00,000	1,950.00
Increase / (decrease) during the year	-	-
At 31 March 2021	1,95,00,000	1,950.00

	No. of shares	-
iii) Authorised Preference Share Capital (Preference shares of Rs. 10 each)		
At 1 April 2019	-	-
Increase / (decrease) during the year	5,00,000	50.00
At 31 March 2020	5,00,000	50.00
Increase / (decrease) during the year	-	-
At 31 March 2021	5,00,000	50.00

Note

i) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share.

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. The distribution will be in proportion to the number of equity shares held by the shareholders.

Each equity shareholder is entitled to dividends as and when the Company declares and pays dividend after obtaining shareholders' approval.

During the year ended March 31, 2021, the amount of per share dividend recognised as distribution to equity share-holders was Nil (March 31, 2020 : NIL)

ii) Issued share capital

a) Issued equity capital	**Equity shares**	
Equity shares of INR 10 each issued, subscribed and fully paid	No. of shares	-
At 1 April 2019	1,42,42,509	1,424.25
Changes during the year	3,06,568	30.66
At 31 March 2020	1,45,49,077	1,454.91
Changes during the year	5,08,160	50.82
At 31 March 2021	1,50,57,237	1,505.72

iii) Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at 31 March 2021		As at 31 March 2020	
	No. of shares	% holding	No. of shares	% holding
Falguni Nayar	33,13,331	22.00%	33,13,331	22.77%
Sanjay Nayar	40,03,964	26.59%	40,03,964	27.52%
Indra Singh Banga/Harindarpal Singh Banga	13,55,993	9.01%	13,55,993	9.32%

Equity shares of Rs 10 each fully paid

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

iv) Shares reserved for issue under option

The Company has reserved issuance of 11,00,000 (Previous year 11,00,000) Equity Shares of Rs. 10 each for offering to Eligible Employees of the Company and its subsidiaries under Employees Stock Option Scheme (ESOS). During the year the Company has granted 84,700 options (Previous year 37,650) at a price of Rs. 6,059.56/- (Previous year Rs.3,862.21/-) per option. Cumulative number of equity shares granted under Employee Stock Option Scheme (ESOS) is 8,67,575 equity shares as at March 31, 2021 (31 March 2020: 7,82,875)

v) Neither bonus shares issued nor shares issued for consideration other than cash during the period of five years immediately preceding the reporting date.

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18 Other equity

a Instruments classified as Equity

Optionally Convertible Redeemable Preference Shares

0.001% Non-Cumulative, Optionally Convertible Redeemable Preference Shares	No. of shares	Amount
At 1 April 2019	-	-
Changes in preference share capital during 2019-20	2,75,000	20.63
At 31 March 2020	2,75,000	20.63
Changes in preference share capital during 2020-21	1,61,500	12.11
At 31 March 2021	4,36,500	32.74

0.001% Non-Cumulative, Optionally Convertible Redeemable Preference Shares ("OCRPS") of Face Value of Rs. 10 each, Partly Paid-Up @ Rs 7.50 per OCRPS

Terms/ rights attached to Optionally Convertible Redeemable Preference Shares :
4,36,500 Nos (Previous year 2,75,000) 0.001% Non-cumulative OCRPS of Rs 7.50 each (partly paid up) aggregating Rs 32.74 lakhs (Previous year 20.63 lakhs) towards face value have a tenure of 5 (five) years from the date of allotment. 1 Fully Paid up OCRPS can be converted into 1 Equity share of the face value Rs 10 each or may be redeemed at any time at the option of the Company.

	As at 31 March 2021	As at 31 March 2020
b Securities premium		
Opening balance	45,722.53	34,921.64
Add : Additions during the year	11,074.43	10,800.89
Less: Share issue expenses	(131.23)	-
Closing balance	56,665.73	45,722.53
c Retained earnings		
Opening balance	(6,470.33)	(7,978.25)
Add: Profit / (Loss) during the year	3,618.91	1,506.91
Less:-Options lapse/ forfeited during the year	13.06	1.01
Closing balance	(2,838.36)	(6,470.33)
d Share application money pending allotment		
Opening balance	2.35	-
Add : Additions during the year	-	2.35
Less: Shares allotted during the year	(2.35)	-
Closing balance	-	2.35
e Employee Share Options Scheme Reserve		
Opening balance	1,098.34	942.00
Add : Additions during the year	526.02	436.10
Less: Shares excersied during the year	(717.61)	(278.75)
Less: Lapses during the year	(13.06)	(1.01)
Closing balance	893.69	1,098.34

Nature and purpose of reserves

Securities premium
Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares is transferred to "Securities Premium ".
The securities premium can be utilised only in accordance with the provisions of section 52 of the Companies Act 2013.

Retained earnings
Retained Earnings are the profits / (losses) that the Company has earned till date, less any dividends or other distributions paid to shareholders.

Share application money pending allotment
This represents the share application money received in previous year for Employee Stock Option Scheme for which shares are allotted during the current financial year.

Employee Share Options Scheme Reserve
The fair value of the equity-settled share based payment transactions with employees is recognized in Employee Share Options Scheme Reserve

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19 Borrowings - non-current

	As at 31 March 2021	As at 31 March 2020
Secured - Carried at amortised cost		
Term Loan - Vehicle	-	14.95
	-	14.95

19.1 Term loan from bank - vehicle is secured against first charge on vehicle and is payable in 59 monthly installments. Term loan from bank is secured against second charge on all current assets, moveable property, plant and equipment both present and future. Tenure is 48 months (including 12 month moratorium period) & rate of interest 8% p.a).

20 Borrowings - current

	As at 31 March 2021	As at 31 March 2020
(Secured - carried at amortized cost)		
Working capital loan from Banks (refer 20.1 to 20.5 below)	2,435.38	1,465.50
(Unsecured- carried at amortized cost)		
Loan from Shareholders (refer 20.6 below)	-	1,997.10
	2,435.38	3,462.60

Note

20.1 Working Capital/Cash Credit Facilities from Bank is secured by hypothecation of book debts, current assets and movable Property, plant and equipment both present and future.

20.2 Loan is payable on demand. Interest payable on working capital loan is MCLR adjusted with the risk spread mutually agreed between the parties.

20.3 Maximum amount of loan outstanding during the year was INR 6,793.71 lakhs (31 March 2020 - INR 4,994.08 lakhs)

20.4 Bank loan contain certain financial covenants & the Company has satisfied all covenants as per the terms of bank loan

20.5 At 31 March 2021, the Company had available INR 2,564.62 lakhs (31 March 2020: INR 1534.50 lakhs) of undrawn committed borrowing facilities.

20.6 Loan from shareholder as at March 31, 2020, is unsecured working capital loan with a duration of 90 days carrying interest rate of 11.25% p.a. which has been subsequently repaid during the year ended March 31, 2021.

21 Lease liabilities

	As at 31 March 2021	As at 31 March 2020
Payable for lease liabilities*	1,625.10	518.89
	1,625.10	518.89

*The effective interest rate for lease liabilities is 9.45% as on March 31, 2021 (10.50% as on March 31, 2020)

22 Non current - Provisions

	As at 31 March 2021	As at 31 March 2020
Provisions for Employee Benefits		
Provision for Gratuity - refer note 37A	93.99	92.27
	93.99	92.27

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23 Trade payables

	As at 31 March 2021	As at 31 March 2020
(Carried at amortized cost)		
Total outstanding dues of micro enterprises and small enterprises	156.89	90.03
Total outstanding dues of trade payables other than micro enterprises and small enterprises	982.28	1,645.17
	1,139.17	1,735.20

23.1 (For details of trade payable with related parties refer note 38 on related party disclosures)

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

The identification of Micro, Small and Medium Enterprises is based on the Management's knowledge of their status. Disclosure is based on the information available with the Company regarding the status of the suppliers as defined under 'The Micro, Small and Medium Enterprises Development Act, 2006'.

		As at 31 March 2021	As at 31 March 2020
a)	The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year 1	-	-
b)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006	-	-
c)	The amount of interest accrued and remaining unpaid at the end of each accounting year	0.91	-
d)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	-	-
		0.91	-

24 Other financial liabilities-Current

	As at 31 March 2021	As at 31 March 2020
A. Financial Liabilities at amortised cost		
Employee related liabilities	15.22	160.58
Accrued expenses	1,461.00	457.40
Creditors for Capital Goods	20.20	15.75
Interest accrued but not due	7.73	-
Current maturity of secured borrowings (vehicle loan)	-	7.25
Total other financial liabilities at amortised cost	1,504.15	640.98

*The effective interest rate for lease liabilities is 9.45% as on 31 March 2021 (10.50% as on 31 March 2020)
(For details of Advance from customers and Employee related liabilities with related parties refer note 38 on related party disclosures)

	As at 31 March 2021	As at 31 March 2020
B. Financial guarantee contracts (Refer Note 39)	265.25	246.58
Total	1,769.40	887.56

24A.1 Movement in Interest accrued but not due and Finance charge:

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance	-	-
Interest and Finance charge accrued during the year	289.43	375.49
Payment of interest and Finance charge during the year	(281.70)	(375.49)
Closing balance	7.73	-

25 Current Provisions

	As at 31 March 2021	As at 31 March 2020
	-	-
Provisions for Employee Benefits		
Provision for Gratuity - refer note 37A	62.01	1.34
Provision for Compensated absences - refer note 37B	110.04	-
Total	172.05	1.34

26A Contract liabilities

	As at 31 March 2021	As at 31 March 2020
Advance from customers	4.22	551.23
Total	4.22	551.23

26B Other current liabilities

	As at 31 March 2021	As at 31 March 2020
Statutory dues	797.36	162.30
Total	797.36	162.30

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27 Revenue from operations

	For the year ended 31 March 2021	For the year ended 31 March 2020
Sale of products	14,581.33	18,765.96
	14,581.33	18,765.96
Within India	14,549.00	18,765.96
Outside India	32.33	-
	14,581.33	18,765.96

A Disaggregation of revenue from contracts with customers

The Company derives its major revenue from sale of products and sale of products by selected platforms, which is a single line of business.

B Contract Balances

Particulars	As at 31 March 2021	As at 31 March 2020
Trade Receivables	6,372.25	2,551.09
Contract Liabilities	-	-
Contract Price	14,581.33	18,765.96
Revenue recognized in the period from:		
Revenue recognized in the current year from contract liability:		
Advance from Customer	-	-
Revenue deferred in the current year towards unsatisfied performance obligation:		
Advance from Customer	-	-
Revenue from operations	14,581.33	18,765.96

Refer accounting policy 2(h) for satisfaction of performance obligation and when the revenue is recognised

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(All amounts in Rs. lakhs, unless otherwise stated)

28 Other income

	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest Income on:		
Loan given to subsidiaries	1,869.98	1,651.54
Net investment (sublease)	56.10	39.92
Security Deposit	9.89	12.26
Bank deposit	815.46	24.18
Miscellaneous income	1.80	-
Net realised gain / (loss) on financial assets carried at fair value through profit and loss	-	759.92
Foreign exchange gain /(loss)	7.38	-
Brand Usage Fees	2,625.09	-
Commission on Financial guarantees	639.33	549.92
Net Sundry balance written back	-	12.27
	6,025.03	3,050.01

29A Cost of material consumed

	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening Stock	884.72	-
Purchase	3,079.00	1,729.48
Closing Stock	1,155.25	884.72
	2,808.47	844.76

29B Purchase of traded goods

	For the year ended 31 March 2021	For the year ended 31 March 2020
Purchases of traded goods	2,048.41	7,149.31
	2,048.41	7,149.31

30 Changes in inventories of finished goods and Stock-in-Trade

	For the year ended 31 March 2021	For the year ended 31 March 2020
Finished goods		
Opening balance	32.75	-
Closing balance	1,431.91	32.75
	(1,399.16)	(32.75)
Stock in trade		
Opening balance	3,716.71	2,275.01
Closing balance	734.66	3,716.71
	2,982.05	(1,441.70)
	1,582.89	(1,474.45)

31 Employee benefits expense

	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries, Wages and Bonus	1,547.98	2,223.31
Contribution to provident fund	48.65	46.80
Gratuity expenses (refer note 37A)	54.46	37.30
Compensated expenses (refer note 37B)	129.43	-
Share based expenses (refer note 44)	111.50	91.88
Staff welfare expenses	14.14	76.39
	1,906.16	2,475.68

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32 Finance costs

	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest expenses on borrowings	265.14	361.42
Interest expenses on lease liabilities	122.66	102.39
Other finance charge	24.29	14.07
	412.09	477.88

33 Depreciation and amortisation expense

	For the year ended 31 March 2021	For the year ended 31 March 2020
Depreciation of property, plant and equipment (refer note 4)	165.22	80.82
Depreciation of Right-of-use assets (refer note 5)	238.59	259.39
Amortisation of Intangible assets (refer note 6A)	438.91	400.26
	842.72	740.47

34 Other expenses

	For the year ended 31 March 2021	For the year ended 31 March 2020
Marketing & Advertisement Expense	4,624.69	7,371.35
Beauty advisor Expenses	504.81	552.75
Legal and Professional Fees	254.62	337.45
Web & Technology Expenses	215.02	85.53
Freight Expenses	179.61	159.81
Other Administrative expense	125.36	228.24
Recruitment Expenses	97.46	14.39
Travelling & Conveyance Expenses	79.30	231.90
Expected credit loss/credit impaired	58.93	-
Communication Expenses	59.56	65.51
Rates & Taxes	57.83	202.80
Insurance Expenses	57.00	23.95
Rent and Maintenance Expenses	37.96	34.30
Director sitting fees	35.20	1.60
Repairs & Maintenance - Others	27.40	21.91
Security Expenses	25.90	22.09
Product Testing & Development Charges	18.16	24.26
Electricity Charges	12.83	18.98
Bank charges	9.25	10.23
<u>Auditors remuneration :</u>		
- Audit fees	29.00	8.88
- Taxation Matters	4.50	5.29
- Other Matters	-	-
Expenditure towards corporate social responsibility (CSR) activities (refer note 46)	8.50	5.44
	6,522.89	9,426.66

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35 Earnings per share (EPS)

	For the year ended 31 March 2021	For the year ended 31 March 2020
Basic and diluted EPS		
Profit/ (Loss) after tax as per statement of profit and loss (A)	3,618.91	1,506.91
Calculation of weighted average number of equity shares of Rs 10 each:		
Total number of shares outstanding during the year	1,50,57,237	1,45,49,077
Weighted average number of equity shares outstanding during the year (B)	1,48,45,678	1,42,75,261
Add: Dilution impact of employee stock options and Optionally Convertible Redeemable Preference Shares	5,88,722	7,84,086
Number of Equity Shares used as denominator for calculating Diluted Earnings Per Share (C)	1,54,34,401	1,50,59,347
Basic earning per share (D= A/B)	24.38	10.56
Diluted earning per share (E = A/C)	23.45	10.01

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36 Leases

The Company as lessee

The Company has lease contracts for premises obtained for offices, warehouse etc. Leases of premises generally have lease terms between 3 to 5 years

The Company's obligations under its leases are secured by the lessor's title to the leased assets.
There are several lease contracts that include extension and termination options which are further discussed below.
Refer note 5 for carrying value of right of use assets.
Set out below are the carrying value of lease liabilities and the movement during the period:

		As at 31 March 2021	As at 31 March 2020
	Opening balance as at April 1	1,012.18	700.49
Add	Addition	1,653.61	795.85
Add	Accretion of interest	122.66	102.39
Less	Deletion due to closure	40.06	-
Less	Rent waiver	13.48	-
Less	Payments	597.34	586.55
	Closing balance as at March 31	2,137.57	1,012.18
	Current	512.47	493.29
	Non-current	1,625.10	518.89
		2,137.57	1,012.18

The maturity analysis of lease liability is disclosed in note 43
The effective interest rate for lease liabilities is 9.45% as on 31 March 2021 (10.50% as on 31 March 2020)

The following amount are recognised in profit and loss	For the year ended 31 March 2021	For the year ended 31 March 2020
Depreciation expenses of right of use assets	238.59	259.39
Interest expenses on lease liabilities	122.66	102.39
	361.25	361.78

The Company had total cash outflow for leases of INR 597.34 lakhs (March 20 : INR 586.55 lakhs)
The Company earned rental income from sublease of INR 325.74 lakhs (March 20 : INR 79.92 lakhs)

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37A Defined Benefit Plan and Other Long Term Employee Benefit Plan:

I) Defined Contribution Plan

During the year, the Company has made contribution/provision to provident fund stated under defined contribution plan amounting to INR 48.65 lakhs (previous year FY 19-20 INR 46.80 lakhs) and the same has been recognized as an expense in the statement of profit and loss.

II) Defined Benefit Plans

The Company operates a defined benefit gratuity plan for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service.

The Company has provided for gratuity based on actuarial valuation done as per projected unit credit method.

A. The following tables set out the funded status of the gratuity plans and the amounts recognised in the Company's financial statements as at 31 March 2021 and 31 March 2020:

i. Amount to be recognised in balance sheet

Particulars	At 31 March 2021	At 31 March 2020
Present value of defined benefit obligation	156.00	93.61
Less: Fair value of plan assets	-	-
Funded status – deficit / (surplus)	156.00	93.61
Net liability recognised in balance sheet	156.00	93.61

ii. Changes in the present value of defined benefit obligation

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening defined benefit obligation	93.61	60.37
Current service cost	48.38	32.62
Interest cost	6.08	4.69
Actuarial (Gains)/Losses in obligation for year ended due to changes in demographic/financial assumptions	5.40	8.46
Actuarial (Gains)/Losses in obligation for year ended due to changes in Experience adjustments	18.41	(12.53)
Benefit paid	(15.88)	-
Closing defined benefit obligations	156.00	93.61

iii. Net defined benefit liability/ (asset) reconciliation

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening net defined benefit liability/ (asset)	93.61	60.37
Defined benefit cost included in P&L	54.46	37.31
Total re-measurements included in OCI	23.81	(4.07)
Employer contributions	-	-
Employer direct benefit payments	(15.88)	-
Closing net defined benefit liability/ (asset)	156.00	93.61

B Amount for the year ended 31 March 2021 and 31 March 2020 recognised in the Statement of Profit and Loss under employee benefit expenses and other comprehensive income

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Current service cost	48.38	32.62
Interest expenses	6.08	4.69
The total amount recognised in profit and loss account	54.46	37.31
Actuarial (Gains)/Losses in obligation for year ended due to changes in demographic/financial assumptions	5.40	8.46
Actuarial (Gains)/Losses in obligation for year ended due to changes in Experience adjustments	18.41	(12.53)
The total amount recognised in other comprehensive income (OCI)	23.81	(4.07)

C The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Mortality Table	IALM (2012-14)	IALM (2012-14)
Discount rate:	6.25%	6.50%
Future salary increases*	6.50%	6.50%
Withdrawal rates	15.00%	1.00%
IALM - Indian Assured Lives Mortality (Ultimate)	IALM (2012-14)	IALM (2012-14)

The discount rate is based on the prevailing market yields of Government of India Bonds as at the Balance Sheet date for the estimated terms of the obligations.

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

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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(All amounts in Rs. lakhs, unless otherwise stated)

D The following payments are expected contributions to the defined benefit plan in future years:

	At 31 March 2021	At 31 March 2020
Within the next 12 months (next annual reporting period)	45.35	25.19
Between 2 and 5 years	14.82	32.73
Between 6 and 10 years	183.74	117.96
11 & Above following years	4,032.42	3,616.58
Total expected payments	4,276.33	3,792.46

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 6 years (31 March 2020: 5 years).

E Sensitivity analysis

The sensitivity analysis of significant actuarial assumption as of end of reporting period is shown below.

Particulars	At 31 March 2021	At 31 March 2020
Discount rate (-/+ 1%)		
Decrease by 100 basis points	161.21	107.63
Increase by 100 basis points	149.64	82.20
Future salary increase (-/+ 1%)		
Decrease by 100 basis points	149.07	84.52
Increase by 100 basis points	160.53	104.66

The sensitivity analysis above has 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 and assuming there are no other changes in the market conditions. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analysis

These plans typically expose the Company to actuarial risks such as: investment risk, interest risk, longevity risk and salary risk.
(A) Investment risk – The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds; if the return on plan asset is below this rate, it will create a plan deficit.

(B) Interest risk - A decrease in the discount rate will increase the plan liability.

(C) Longevity risk – The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(D) Salary risk – The present value of the defined plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

37B Compensated absences:

The Company has a policy on compensated absences for its employees. In the current year, the Company has changed the policy allowing employees to accumulate leaves subject to certain limits and carry forward into subsequent years for availment/encashment. Accordingly, this is the first year where the Company has made a provision for compensated absences as per the leave policy existing as on March 31, 2021. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at the Balance sheet date using the project unit credit method.

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V.C. Shah & Co. Chartered Accountants

FSN E-Commerce Ventures Private Limited
Notes to the Standalone financial statements for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

38 Related party transactions

A. Names of the related parties

Names of related parties where control exists irrespective of whether transactions have occurred or not

Name of entity	Nature of relationship	% of Holding as on 31 March 2021	% of Holding as on 31 March 2020
FSN Brands Marketing Private Limited	Subsidiary	100%	100%
Nykaa E-Retail Private Limited	Subsidiary	100%	100%
Nykaa-KK Beauty Private Limited	Subsidiary	51%	51%
Nykaa Fashion Private Limited	Subsidiary	100%	100%
FSN International Private Limited	Subsidiary	100%	100%
Nykaa International UK Limited	Subsidiary of FSN International Private limited (W.e.f. January 29, 2021)	100%	-
FSN Global FZE	Subsidiary of FSN International Private limited (W.e.f. June 21, 2020)	100%	-

Directors and Key Management Personnel (KMP)

Mrs. Falguni Nayar	Managing Director & CEO
Mr. Anchit Nayar	Director
Ms. Adwaita Nayar	Director
Mr. Sanjay Nayar	Director (W.e.f. April 9, 2021)
Ms.Anita Ramachandran	Director
Ms. Alpana Parida Shah	Director
Ms. Shefali Munjal	Director
Ms. Padmini Somani	Director
Mr. Yogeshkumar Mahansaria	Director
Mr.Milan Khakhar	Director
Mr. William Sean Sovak	Director
Mr. Akshay Tanna	Director
Mr. Vikram Sud	Director (Upto April 9, 2021)
Mr. Sachin Parikh	Chief Financial Officer (Upto May 22, 2020)
Mr. Arvind Agarwal	Chief Financial Officer (W.e.f. June 01, 2020)
Mr. Pratik Bhujade	Company Secretary (Upto November 04, 2020)
Mr. Rajendra Punde	Company Secretary (W.e.f. November 05, 2020)

Relative of Key Management Personnel (KMP)
Mrs. Rashmi Mehta - Relative of Director

Company in which key management personnel have significant influence
Sealink View Probuild Private Limited

B. Transactions with Related party

Particulars	Nature of transactions	Transactions during the year ended 31 March 2021	Outstanding balances as on 31 March 2021	Transactions during the year ended 31 March 2020	Outstanding balances as on 31 March 2020
Directors and Key Management Personnel (KMP)*					
Mrs. Falguni Nayar	(i) Remuneration	947.32	-	97.80	(3.77)
Mrs. Falguni Nayar (through family trust)	(ii) Issuance of OCRPS	4.35	-	10.00	
Mr. Sachin Parikh	(i) Remuneration & reimbursements	18.30	-	138.28	(5.70)
	(ii) Share Application money received pursuant to ESOP	-	-	28.64	
	(iii) Issuance of OCRPS	-	-	1.00	
	(iv) Share based payments	-	-	13.74	
Mr. Arvind Agarwal	(i) Remuneration & reimbursements	195.76	-	-	-
	(iii) Issuance of OCRPS	0.95	-	-	-
Mr. Pratik Bhujade	(i) Remuneration & reimbursements	11.05	-	9.34	(0.80)
Mr. Rajendra Punde	(i) Remuneration & reimbursements	49.56	-	-	-
Ms.Anita Ramachandran	(i) Sitting Fees	3.40	-	1.00	-
	(ii) Commission	10.00	-	-	-
Ms. Alpana Parida Shah	(i) Sitting Fees	3.40	-	0.60	-
	(ii) Commission	5.00	-	-	-
Mr. Yogeshkumar Mahansaria	(i) Sitting Fees	3.40	-	-	-
	(ii) Commission	10.00	-	-	-
- Relative of Key Management Personnel (KMP)					
Mrs. Rashmi Mehta	(i) Rent expenses	24.17	(0.51)	24.31	(0.76)
	(ii) Security deposit	-	4.09	3.49	3.68
	(iii) Notional interest income on security deposit	0.41	-	0.44	-
	(iv) Lease liability	-	(39.56)	70.88	(61.29)
	(v) Interest cost on lease liability	5.42	-	3.82	-
Mr. Anchit Nayar (through family trust)	(i) Issuance of OCRPS	3.90	-	2.50	
Ms. Adwaita Nayar (through family trust)	(i) Issuance of OCRPS	3.90	-	2.50	
FSN Brands Marketing Private Limited	(i) Loan given	6,557.00	17,619.31	3,400.96	10,608.02
	(ii) Interest Income	(993.57)	-	(623.95)	-
	(iii) Sales	(2,345.08)	3,064.29	(4,929.65)	1,701.07
	(iv) Purchases	90.91			
	(v) Sublease Income	(49.87)	-	(7.99)	-
	(vi) Discount Expense	468.28	-	441.48	-
	(vii) SOH/SKU Commercialisation	973.02	-	1,047.67	-
	(viii) Notional interest income- Financial guarantee	(82.33)	-	(62.33)	-
	(ix) Notional interest income- Loan	(454.38)	-	(787.88)	-
	(x) Notional interest income- Sublease	(18.49)	-	(0.23)	-
	(xi) Recovery (Reimbursement) of Expenses	(149.53)	-		
	(xii) Brands usage fees	(118.42)	-	-	-
	(xiii)Share based expense reimbursement	(30.97)	-	(30.23)	-
	(xiv) Investment in subsidiary	876.75	2,090.10	543.13	1,213.34
	(xv) Net Investment- Sublease	-	737.55	-	-

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(All amounts in Rs. lakhs, unless otherwise stated)

Particulars	Nature of transactions	Transactions during the year ended 31 March 2021	Outstanding balances as on 31 March 2021	Transactions during the year ended 31 March 2020	Outstanding balances as on 31 March 2020
Nykaa E Retail Private Limited					
	(i) Loan given	(774.00)	-	(161.53)	755.70
	(ii) Interest income	(105.47)	-	(0.99)	-
	(iii) Sales	(13,822.43)	1,610.47	(12,283.15)	(546.20)
	(iv) Discount expenses	2,646.85	-	1,148.73	-
	(v) Banner advertisement expenses	1,936.75	-	1,581.10	-
	(vi) Recovery (Reimbursement) of Expenses	(3,992.97)	-	(2,085.64)	-
	(vii) Sublease income	(181.02)	-	(50.20)	-
	(viii) Rent expenses	6.11	-	6.11	-
	(ix) Property, plant and equipment purchase	-	-	2.39	-
	(x) Property, plant and equipment sale	(1.77)	-	-	-
	(xi) Notional interest expense- Lease	0.17	-	0.72	-
	(xii) Notional interest income- sublease	(8.12)	-	(32.70)	-
	(xiii) Notional interest income- Financial guarantee	(533.00)	-	(480.50)	-
	(xiv) Notional interest income- Loan	(55.57)	-	(56.08)	-
	(xv)Share based expense reimbursement	(356.04)	-	(249.55)	-
	(xvi) Investment in subsidiary	889.03	2,934.03	858.88	2,044.99
	(xvii) Brand usage fees	(2,129.48)	-	-	-
	(xviii) Net Investment- Sublease	-	-	-	183.54
	(xix) Lease liability	-	(0.28)	-	(3.32)
Nykaa Fashion Private Limited	(i) Loan given	1,401.00	3,237.91	1,811.17	1,797.30
	(ii) Interest Income	(172.11)	-	(69.87)	-
	(iii) Recovery (Reimbursement) of Expenses	(264.39)	-	(30.52)	-
	(iv) Sales	(4.69)	627.68	(2.73)	-
	(v) Notional interest income- Loan	(39.71)	-	(51.35)	-
	(vi) Sublease Income	(43.11)		-	-
	(vii) Notional interest income- Sublease	(17.52)		-	-
	(viii) Notional Commission on financial guarantee	(7.00)		-	-
	(ix) Share based expense reimbursement	(23.91)	-	(64.44)	-
	(x) Investment in subsidiary	170.79	482.78	269.45	311.99
	(xi) Brand usage fees	(147.06)	-	-	-
	(xii) Net Investment- Sublease	-	724.48	-	-
Nykaa-KK Beauty Private Limited	(i) Loan given	(231.00)	3.64	207.36	205.36
	(ii) Interest Income	(56.25)	-	(22.82)	-
	(iii) Sublease Income	(51.74)	-	(21.73)	-
	(iv) Recovery (Reimbursement) of Expenses	(136.79)	-	(52.81)	-
	(v) Sales	-	-	(138.54)	182.51
	(vi) Notional interest income- sublease	(12.03)	-	(7.22)	-
	(vii) Notional interest income- Financial guarantee	(17.00)	-	(7.08)	-
	(viii) Notional interest income- Loan	(29.87)	-	(38.41)	-
	(ix) Share based expense reimbursement	(3.61)	-	-	-
	(x) Investment in subsidiary	20.61	103.33	82.48	82.72
	(xi) Royalty	(230.13)	303.67	-	-
	(xii) Net Investment- Sublease	-	96.40	-	128.92
FSN International Private Limited	(i) Loan given	4.00	25.50	22.53	20.25
	(ii) Interest Income	(1.47)	-	(0.20)	-
	(iii) Investment in equity shares	-	-	10.00	10.00
	(iv) Investment in subsidiary	0.42	2.90	2.48	2.48
	(v) Notional interest income- Loan	(0.77)	-	-	-
Company in which key management personnel have significant influence					
Sealink View Probuild Private Limited	(i) Rent, maintenance, electricity & other expenses	293.69	-	278.06	(4.33)
	(ii) Notional interest income on security deposit	(5.35)	-	(5.05)	-
	(iii) Security deposit	-	54.76	-	50.13
	(iv) Interest cost on lease liability	43.16		31.10	-
	(v) Lease liability	-	(1,448.95)	-	(183.54)

Figures in brackets indicates payables and income

Terms. and conditions of transactions with related parties
The sales to and purchases from related parties are made on terMs. equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables

* The Company do not have any other transaction with key managerial person than that is disclosed above.
# Amount paid to KMP do not include the provisions made for gratuity as it is determined on an actuarial basis for the Company as a whole. Similarly, expenses for compensated absences are not included in the above table as the same is also determined on an actuarial basis for the Company as a whole.

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39 **Commitments and contingent liabilities**

A **Commitments**

The Company does not have any contract remaining to be executed on capital account and not provided for (net of advances) - INR Nil as at 31 March 2021 (31 March 2020 – Nil)

The Company does not have lease contracts that have not yet commenced as at 31 March 2021.

B **Contingent liabilities (not provided for)**

	Particulars	As at 31 March 2021	As at 31 March 2020
i	**Claims against the Company, not acknowledged as debts**		
	Disputed Indirect tax matters (including interest up to the date of demand, if any) [Refer note (i)]	117.74	-
ii.	Corporate guarantees given to banks [Refer note (ii)]	32,900.00	31,200.00

Notes:

i The Company has received VAT assessments order for financial years 2016-17 with demands amounting to Rs.202.97 lakhs on account of certain input disallowances/adjustment made by VAT department. The Company has deposited Rs 52.02 lakhs in financial year 2021-22 and provided Rs 33.21 lakhs under Rates and taxes in financial year 2020-21 (Refer note 34), and for Rs 117.74 lakhs the management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements.

ii Corporate guarantees given to banks with respect to borrowings taken by the subsidiary companies to a maximum amount of INR 32,900 lakhs (31 March 2020: INR 31,200 lakhs), Carrying amounts of the related financial guarantee contracts at 31 March 2021 were INR 265.25 lakhs and INR 246.58 lakhs at 31 March 2020. (Also refer note 24).

40 **Fair value measurement hierarchy**

The fair values of financial assets and liabilities are included at the amount at which the instrument can be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

a. Carrying values of financial assets i.e. cash and cash equivalents, trade receivables, others financial assets and of financial liabilities i.e. trade and other payables, working capital loan borrowing and other financial liabilities are reasonable approximations of their fair values due to the short maturities of these instruments.

b. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at FVTPL.

Quantitative disclosures fair value measurement hierarchy for assets/liabilities as at 31 March 2021 and 31 March 2020 is as under:

	Level of inputs used	Carrying value / fair value as at 31-Mar-21	31-Mar-20
Financial Assets:			
At Fair Value through other comprehensive income (FVTOCI)			
Non-current investments	Level 2	131.91	380.33
At amortised cost			
Non-current investments		6,826.12	4,868.52
Loans		21,011.54	13,506.36
Trade receivables		6,372.25	2,551.09
Cash and cash equivalents		3,128.33	9,552.92
Other financial assets		2,308.44	334.05
Bank balance other than cash and cash equivalents		16,101.95	7,386.83
Financial Liabilities:			
At amortised cost			
Borrowings		2,435.38	3,477.55
Lease liabilities		2,137.57	1,012.18
Other financial liabilities		1,769.40	887.56
Trade payables		1,139.17	1,735.20

Valuation Methodology

i The Company has measured fair value for Level 2 investment using the third-party pricing information without adjustment

ii During the period ending 31 March 2021 and 31 March 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

41 **Segment information:**

Considering Company's aggressive expansion plan for driving synergy across fulfilment models, sales channels and product categories, it required change in current review mechanism. The Group has identified Board of directors and Group CEO as its CODM who reviews and allocates resources based on Omni business and Omni channel strategy, which in the terms of Ind AS 108 on 'Operating Segments' constitutes a single reporting segment.

i) The Company operates in a single geographical environment i.e.in India.

ii) No single customer contributed 10% or more to Company's revenue.

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42 Capital management

The Company aims to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to its shareholders.
For the purpose of the Company's capital management, capital includes issued equity capital, convertible preference shares, securities premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Company consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 31 March 2020.

The net gearing ratio at end of the reporting period was as follows.

		As at 31 March 2021	As at 31 March 2020
Gross debt		2,435.38	3,484.80
Less: Cash and cash equivalents		(3,128.33)	(9,552.92)
Net debt	(A)	(692.95)	(6,068.12)
Equity	(B)	56,082.08	41,866.80
Preference share capital	(C)	32.74	20.63
Total Equity	B+C	56,114.82	41,887.43
Net gearing ratio *	(A)/(B+C)	-	-

*As at March 31, 2021 and March 31, 2020,the Cash & cash equivalent was higher than outstanding net debt.

43 Financial risk management objectives and policies

The Company's principal financial liabilities comprises loan from bank, working capital loan, trade and other payables . The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

A Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly comprises currency risk, product price risk and interest rate risk

A.1 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 denominated in foreign currency and thus the risk of changes in foreign exchange rates relates primarily to trade payables. Since the Company's overall foreign currency exposure is not significant, the Company does not hedge its foreign currency payables.

Foreign currency sensitivity

Since the business of the Company doesn't involves material foreign currency transactions, its exposure to foreign currency changes is not material.

A.2 Product price risk

In a potentially inflationary economy, the Company expects periodical price increases across its product lines. Product price increases which are not in line with the levels of customers' discretionary spends, may affect the business/ sales volumes. In such a scenario, the risk is managed by offering judicious product discounts to customers to sustain volumes. The Company negotiates with its vendors for purchase price rebates such that the rebates substantially absorb the product discounts offered to the customers. This helps the Company to protect itself from significant product margin losses. This mechanism also works in case of a downturn in the retail sector, although overall volumes would get affected.

A.3 Interest rate risk

The Company is exposed to interest rate risk primarily due to borrowings having floating interest rates. The Company uses available working capital limits for availing short-term working capital demand loans with interest rates negotiated from time to time so that the Company has an effective mix of fixed and variable rate borrowings. Interest rate sensitivity analysis shows that an increase / decrease of fifty basis points in floating interest rates would result in decrease / increase in the Company's profit/(loss) before tax by approximately INR 12.18 lakhs (31 March 2020: INR 17.31 lakhs).

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(All amounts in Rs. lakhs, unless otherwise stated)

B Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables)

Trade receivables

The Company has adopted a policy of dealing with only credit worthy counterparties in case of institutional customers and the credit risk exposure for institutional customers is managed by the Company by credit worthiness checks. The Company's experience of delinquencies and customer disputes have been minimal. Also the Company have a simplified approach to determine impairment loss allowance on the portfolio of trade receivables. This is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. Accordingly the credit risk is cover by the company.

(Refer accounting policy 2(g)(iv) for expected credit loss on trade receivable)

	As at 31 March 2021			As at 31 March 2020		
Trade Receivables (Ageing)	Gross	Allowance	Net	Gross	Allowance	Net
Less than 180 days	6,372.25	1.27	6,370.98	2,551.09	0.51	2,550.58
More than 180 days	64.18	62.91	1.27	5.25	4.74	0.51
Total	6,436.43	64.18	6,372.25	2,556.34	5.25	2,551.09

Movement in allowances for expected credit loss:

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance	5.25	5.25
Provision made during the year	58.93	-
Provision written off during the year	-	-
Closing balance	64.18	5.25

Security Deposits

The Company also carries credit risk on lease deposits with landlords for properties taken on leases, for which agreements are signed and property possessions are taken for operations. The risk relating to refunds after vacating the premises is managed through successful negotiations or appropriate legal actions, where necessary.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

C Liquidity risk

Liquidity risk is a risk that the Company may not be able to meet its financial obligations on a timely basis through its cash and cash equivalents, and funds available by way of committed credit facilities from banks. Management manages the liquidity risk by monitoring rolling cash flow forecasts and maturity profiles of financial assets and liabilities. This monitoring includes financial ratios and takes into account the accessibility of cash and cash equivalents and additional undrawn financing facilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Particulars	As at 31 March 2021			As at 31 March 2020		
	< 1 year	1 to 5 years	Total	< 1 year	1 to 5 years	Total
Borrowings	2,435.38	-	2,435.38	3,462.60	14.95	3,477.55
Trade payables	1,139.17	-	1,139.17	1,720.46	-	1,720.46
Other financial liabilities	1,769.40	-	1,769.40	887.56	-	887.56
Lease liabilities	697.39	1,910.16	2,607.55	610.82	2,621.03	3,231.85
Total	6,041.34	1,910.16	7,951.50	6,681.44	2,635.98	9,317.42

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44 Employee Share Based Payment

The Company has granted stock options under the employee stock option scheme- ESOS 2012 and ESOS 2017 respectively, as approved by the Board of Directors of the company, to the eligible employees of the Company or its subsidiaries. These options would vest in 3 or 4 equal annual installments from the date of grant based on the vesting conditions as per letter of grant executed between the Company and the employee of the Company or its subsidiaries. The maximum period for exercise of options is 4 years from the date of vesting. Each option when exercised would be converted into one fully paid-up equity share of Rs. 10 each of the Company. The options granted under ESOS 2012 and ESOS 2017 scheme carry no rights to dividends and no voting rights till the date of exercise.

The fair value of the share options is estimated at the grant date using Black and Scholes Model, taking into account the terms and conditions upon which the share options were granted.

The Company has recognised an expense of INR 111.50 lakhs (31 March 2020 INR 91.88 lakhs) arising from equity settled share based payment transactions for employee services received during the year. The carrying amount of Employee stock options outstanding reserve as at 31 March 2021 INR 893.69 lakhs (31 March 2020 INR 1,098.33 lakhs).

As at the end of the financial year, details and movements of the outstanding options are as follows:

a *Options granted under ESOS 2012*

	31 March 2021	31 March 2020
Options outstanding at the beginning of the year	3,35,846	4,71,420
Options granted during the year	-	-
Options forfeited during the year	(1,000)	-
Options expired/lapsed during the year	(1,000)	-
Options exercised during the year	(3,16,315)	(1,35,574)
Options outstanding at the end of the year	17,531	3,35,846
Exercisable at the end of the year	17,531	2,50,282
For options outstanding at the end of the year:		
Exercise price range	INR 100 - 650	INR 97.4 - 650
Weighted average remaining contractual life (in years)	2.45	1.74

Options granted under ESOS 2017

	31 March 2021	31 March 2020
b **Options outstanding at the beginning of the year**	1,73,240	1,43,555
Options granted during the year	84,700	37,650
Options forfeited during the year	(17,745)	(1,690)
Options expired/lapsed during the year	(2,110)	(310)
Options exercised during the year	(49,509)	(5,965)
Options outstanding at the end of the year	1,88,576	1,73,240
Exercisable at the end of the year	56,451	59,735
For options outstanding at the end of the year:		
Exercise price range	INR 650 - 6,059.56	INR 650 - 3,862.21
Weighted average remaining contractual life (in years)	4.81	3.54

c **Fair value of options granted**

The fair value of each option is estimated on the date of grant based on the following assumptions:

	ESOS 2012			
	Tranche I	Tranche II	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	1.50	2.50	3.50	4.50
Risk free interest rate (%)	6.32% to 7.95%	6.36% to 8.00%	6.44% to 8.00%	6.41% to 7.92%
Volatility (%)	23.03% to 28.17%	23.16% to 28.24%	23.38% to 27.91%	24.00% to 28.56%
Fair value of shares on date of grant	97.01 - 650.21			
Fair value of options	15.15 - 149.89	22.05 - 187.26	28.49 - 219.11	37.45 - 396.31

	ESOS 2017			
	Tranche I	Tranche II	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	2.67 - 3.22	3.27- 3.80	3.92- 4.26	4.59 - 5.09
Risk free interest rate (%)	6.32% to 7.96%	6.32% to 7.96%	6.43% to 8.01%	6.45% to 8.04%
Volatility (%)	22.76% to 30.67%	22.76% to 29.59 %	24.42% to 29.49%	24.59% to 28.77%
Fair value of shares on date of grant	650.21 - 6,059.56			
Fair value of options	155.42 - 1726.78	175.88 - 1887.16	203.44 - 2017.15	233.56 - 2113.45

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The volatility is based on annualised standard deviation of the continuously compounded rates of return based on the peer companies and competitive stocks over a period of time. The Company has determined the market price on grant date based on latest equity valuation report available with the company preceding the grant date.

The weighted average share price at the date of exercise of options exercised during the year was INR 486.21 (March 31, 2020 INR 385.69)

d **Modification during the year**

On April 21, 2020, the company increased the exercise period of stock options under the employee stock option scheme- ESOS 2012 and ESOS 2017 from 3 years to 4 years. The incremental fair value together with the original grant date fair value of the options will be recognised as an expense over the remaining vesting period. The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs:

	ESOS 2012	
	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil
Expected life (years)	2.13 - 2.42	2.05 - 2.70
Risk free interest rate (%)	4.70%	4.70% to 4.88%
Volatility (%)	30.53%	28.94% to 30.53%
Fair value of shares on date of grant	6,059.56	
Incremental fair value of options	7.59 - 13.98	7.63 - 16.34

	ESOS 2017			
	Tranche I	Tranche II	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	2.45 - 3.00	2.19 - 4.00	2.19 - 5.00	3.30 - 6.00
Risk free interest rate (%)	4.70% to 4.88%	4.70% to 5.21%	4.70% to 5.82%	4.88% to 5.91%
Volatility (%)	28.94% to 30.53%	27.90% to 30.53%	27.66% to 30.53%	27.36% to 28.94%
Fair value of shares on date of grant	6,059.56			
Incremental fair value of options	86.21 - 109.93	48.59 - 133.16	13.75 - 157.31	13.54 - 121.59

e **Expenses arising from share-based payment transactions**

The total expenses arising from share-based payment transactions recognised were as follows:

Particulars	2020-21	2019-20
Stock based compensation expense determined under fair value method recognised in statement of profit or loss	111.50	91.88
Stock based compensation expense pertaining to employees of subsidiaries, determined under fair value method recognised as cost of investment	414.52	344.22

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C. SHAH & CO. CHARTERED ACCOUNTANTS

45 **Event after reporting dates**
There have been no event after reporting dates that require disclosure in this financial statements.

46 **Expenditure towards corporate social responsibility (CSR) activities**
The Company spent on a standalone basis Rs. 8.50 lakhs for the FY 20-21 (Rs. 5.44 lakhs for the FY 19-20), towards various schemes of Corporate Social Responsibility (CSR) as prescribed under Section 135 of the Companies Act, 2013. No amount has been spent on construction / acquisition of an asset of the Company. The prescribed CSR expenditure required to be spent in the FY 2020-21 as per the Companies Act, 2013 is Rs. 7.16 lakhs (Rs. Nil for the FY 19-20), in view of average net profits of the Company being Rs. 358 lakhs for FY20-21 and Loss for the FY 19-20 (under section 198 of the Act) for the last three financial years.

47 **Social Security Code**
The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

48 **Impact of Covid 19**
The Company has taken into account all the possible impacts of COVID-19 in preparation of these standalone financial statements, including but not limited to its assessment of, liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenue recognition and impact on leases. The Company has carried out this assessment based on available internal and external sources of information upto the date of approval of these standalone financial statements and believes that the impact of COVID-19 is not material to these financial statements and expects to recover the carrying amount of its assets. The impact of COVID-19 on the standalone financial statements may differ from that estimated as at the date of approval of these standalone financial statements owing to the nature and duration of COVID-19. The Company will continue to closely monitor any material changes to future economic conditions.

49 Previous years figures have been regrouped and reclassed wherever required.

As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W

A N Shah
Partner
Membership No: 42649

V. C. SHAH & CO. CHARTERED ACCOUNTANTS

As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230

S. R. BATLIBOI & ASSOCIATES LLP * CHARTERED ACCOUNTANTS * MUMBAI

Place: Mumbai
Date: 08 June 2021

For and on behalf of Board of Directors of
FSN E-Commerce Ventures Private Limited

Falguni Nayar | Milan Khakhar

Falguni Nayar
Managing Director & CEO
DIN No. 00003633

Milan Khakhar
Director
DIN No. 00394065

Arvind Agarwal
Chief Financial Officer

Rajendra Punde
Company Secretary
ACS M.No.A9785

FSN E-Commerce Ventures Private Limited

Consolidated Financial Statements as on 31 March 2021

S.R. Batliboi & Associates LLP
Chartered Accountants

12th Floor, The Ruby,
29, Senapati Bapat Marg, Dadar (West)
Mumbai - 400028

V. C. Shah & Co.
Chartered Accountants

205-206 Regent Chambers, 2nd Floor,
Jamnalal Bajaj Road,208 Nariman Point,
Mumbai - 400021

INDEPENDENT AUDITORS' REPORT

To the Members of FSN E-Commerce Ventures Private Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **FSN E-Commerce Ventures Private Limited** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), comprising the consolidated Balance Sheet as at March 31, 2021, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of one of the joint auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated 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 consolidated state of affairs of the Group as at March 31, 2021, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated 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 consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the 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 consolidated financial statements.

S.R. BATLIBOI & ASSOCIATES LLP * MUMBAI * CHARTERED ACCOUNTANTS

V. C. SHAH & CO. * CHARTERED ACCOUNTANTS *

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated 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. The Board of Directors' report is not made available to us as at the date of auditors' report. Accordingly, we have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance, including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group 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.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

S. R. BATLIBOI & ASSOCIATES LLP * CHARTERED ACCOUNTANTS * MUMBAI

V. C. SHAH & CO. * CHARTERED ACCOUNTANTS *

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group 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 consolidated 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 Group to cease to continue as a going concern.

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by one of the joint auditors, such joint auditor remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors 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 Matters

(a) The accompanying consolidated financial statements include 4 subsidiaries, whose financial statements include total assets of Rs. 46,021 lakhs as at March 31, 2021, total revenues of Rs. 39,838 lakhs and net cash inflows of Rs. 2,160 lakhs for the year ended on that date which have been audited solely by one of the joint auditors. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the report of such joint auditors.

(b) The consolidated financial statements of the Company for the year ended March 31, 2020, included in these consolidated financial statements, have been audited solely by one of the joint auditors who expressed an unmodified opinion on those statements on August 20, 2020.

Our opinion above on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of one of the joint auditors.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of one of the joint auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

S.R. BATLIBOI & ASSOCIATES LLP * CHARTERED ACCOUNTANTS * MUMBAI

V.C. SHAH & CO. * CHARTERED ACCOUNTANTS *

(a) We/one of the joint auditors whose report we have relied upon 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 of the aforesaid consolidated financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of one of the joint auditors;

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards (Ind AS) specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of it's subsidiary companies, none of the directors of the Group companies, incorporated in India, is disqualified as on March 31,2021 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiary companies, incorporated in India, refer to our separate Report in **"Annexure A"** ;

(g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Holding Company and its subsidiaries, incorporated in India for the year ended March 31, 2021;

(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 and based on the consideration of the report of one of the joint auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other matter' paragraph:

   i. The consolidated financial statements has disclosed the impact of pending litigations on its consolidated financial position of the Group in its consolidated financial statements – Refer Note 39 (B) to the consolidated financial statements;

   ii. The Group did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2021.

S.R. BATLIBOI & ASSOCIATES LLP
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iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiaries, incorporated in India during the year ended March 31, 2021.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number
101049W/E300004

per Vineet Kedia
Partner
Membership Number: 212230
UDIN: 21212230AAAACF5503

Place of Signature: Mumbai
Date: June 08, 2021

For V. C. Shah & Co.
Chartered Accountants
ICAI Firm Registration Number
109818W

per A. N. Shah
Partner
Membership Number: 42649
UDIN: 21042649AAATJO7793

Place of Signature: Mumbai
Date: June 08, 2021

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

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

In conjunction with our audit of the consolidated financial statements of FSN E-Commerce Ventures Private Limited (hereinafter referred to as the "Holding Company") as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which are companies incorporated in India as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the companies included in the Group, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these consolidated 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, both, issued by ICAI, and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these consolidated 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 with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to these consolidated financial statements included obtaining an understanding of internal financial controls with reference to these consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal

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V.C. SHAH & CO. * CHARTERED ACCOUNTANTS *

control based on the assessed risk. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by one of the joint auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system with reference to these consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

A company's internal financial control over financial reporting with reference to these consolidated 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 with reference to these consolidated 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to these consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to these consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to these consolidated 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 Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls with reference to these consolidated financial statements and such internal financial controls with reference to these consolidated financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance issued by ICAI.

S.R. Batliboi & Associates LLP * Chartered Accountants * MUMBAI

V.C. Shah & Co. * Chartered Accountants *

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements of the Holding Company, insofar as it relates to these four subsidiary companies which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries incorporated in India.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number
101049W/E300004

S. R. BATLIBOI & ASSOCIATES LLP * MUMBAI * CHARTERED ACCOUNTANTS

per Vineet Kedia
Partner
Membership Number: 212230
UDIN: 21212230AAAACF5503

Place of Signature: Mumbai
Date: June 08, 2021

For V. C. Shah & Co.
Chartered Accountants
ICAI Firm Registration Number
109818W

V. C. SHAH & CO. * CHARTERED ACCOUNTANTS *

per A. N. Shah
Partner
Membership Number: 42649
UDIN: 21042649AAATJO7793

Place of Signature: Mumbai
Date: June 08, 2021

FSN E-Commerce Ventures Private Limited
Consolidated Balance Sheet as at 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

	Notes	As at 31 March 2021	As at 31 March 2020
Assets			
Non-current assets			
Property, plant and equipment	4A	6,865.09	7,014.81
Right of use assets	4B	13,893.22	14,399.35
Capital work in progress	6	196.86	77.80
Goodwill	5	50.56	10.56
Intangible assets	5	2,303.48	1,720.65
Intangible assets under development	6	38.76	124.53
Financial assets			
Investments	7	131.91	380.33
Loans	8	1,617.14	1,058.40
Deferred tax assets (net)	9	7,803.79	4,321.36
Non-current tax assets (net)	9C	856.18	1,104.48
Other non-current assets	10	135.32	389.10
Total non-current assets		33,892.31	30,601.37
Current assets			
Inventories	11	49,809.02	45,008.71
Financial assets			
Trade receivables	12	7,663.46	9,843.32
Cash and cash equivalents	13	8,358.20	10,119.11
Bank balance other than cash and cash equivalents	14	16,408.73	7,442.70
Loans	15	542.58	741.11
Other financial assets	16A	5,201.19	2,579.32
Other current assets	16B	8,318.07	6,305.03
Total current assets		96,301.25	82,039.30
Total assets		1,30,193.56	1,12,640.67
Equity and liabilities			
Equity			
Equity share capital	17	1,505.73	1,454.91
Other equity	18	47,483.92	30,785.55
Equity attributable to equity holders of the parent		48,989.65	32,240.46
Non-controlling interest		83.41	73.79
Total equity		49,073.06	32,314.25
Non-current liabilities:			
Financial liabilities			
Borrowings	19	166.00	14.95
Lease liabilities	21	10,738.23	13,026.02
Long-term provisions	22	734.52	526.03
Total non-current liabilities		11,638.75	13,567.00
Current liabilities:			
Financial liabilities			
Borrowings	20	18,580.53	26,732.60
Lease liabilities	36	3,781.56	1,474.37
Trade payables	23		
Total outstanding dues of Micro enterprise and small enterprises		907.49	1,045.89
Total outstanding dues of creditors other than Micro enterprises and small enterprises		30,713.65	30,295.26
Other financial liabilities	24	8,501.34	4,705.24
Short-term provisions	25	1,084.74	6.77
Contract liabilities	26A	1,691.44	1,486.97
Current tax liabilities (net)	9C	2,469.33	179.11
Other current liabilities	26B	1,751.67	833.21
Total current liabilities		69,481.75	66,759.42
Total liabilities		81,120.50	80,326.42
Total equity and liabilities		1,30,193.56	1,12,640.67
Significant accounting policies	2 to 4		

Accompanying note form an integral part of these consolidated financials statements

As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W

A N Shah
Partner
Membership No: 42649

As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230

Place: Mumbai
Date: 08 June 2021

For and on behalf of Board of Directors of
FSN E-Commerce Ventures Private Limited

Falguni Nayar
Managing Director & CEO
DIN No. 00003633

Milan Khakhar
Director
DIN No. 00394065

Arvind Agarwal
Chief Financial Officer

Rajendra Punde
Company Secretary
ACS M.No.A9785

V.C. SHAH & CO. CHARTERED ACCOUNTANTS

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

FSN E-Commerce Ventures Private Limited
Consolidated Statement of Profit and Loss for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

	Notes	Year ended 31 March 2021	Year ended 31 March 2020
INCOME			
Revenue from operations	27	2,44,089.49	1,76,753.36
Other income	28	1,175.92	1,054.80
TOTAL INCOME		2,45,265.41	1,77,808.16
EXPENSES			
Cost of material consumed	29A	3,824.06	1,734.36
Purchase of traded goods	29B	1,49,560.68	1,17,874.64
Changes in inventories of finished goods and Stock-in-Trade	30	(4,127.07)	(18,663.51)
Employee benefits expense	31	28,364.66	19,561.39
Finance costs	32	3,070.14	4,429.34
Depreciation and amortization expense	33	7,158.94	6,455.41
Other expenses	34	50,801.59	47,869.86
TOTAL EXPENSES		2,38,653.00	1,79,261.49
Profit / (Loss) before tax		6,612.41	(1,453.33)
Tax expense / (benefit) :			
Current tax	9	4,007.80	605.91
Deferred tax	9	(3,096.12)	240.67
Tax expense relating to earlier years	9	(152.19)	-
Deferred tax credit for unrecognised business loss of earlier years	9	(311.85)	-
Total tax expense /(benefit)		447.64	846.58
Profit / (Loss) after tax		6,164.77	(2,299.91)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability		(44.07)	(30.01)
Income tax effect on above		11.94	7.56
Fair valuation of investments measured through OCI		(248.41)	57.33
Income tax effect on above		62.53	(23.99)
Items that will not be reclassified to profit or loss, net of tax		(218.01)	10.89
Total Comprehensive Income for the year		5,946.76	(2,289.02)
Profit attributable to:			
Equity holders of the parent		6,155.16	(2,326.77)
Non-controlling interest		9.61	26.86
		6,164.77	(2,299.91)
Other comprehensive income attributable to:			
Equity holders of the parent		(218.06)	10.91
Non-controlling interest		0.05	(0.02)
		(218.01)	10.89
Total comprehensive income attributable to:			
Equity holders of the parent		5,937.10	(2,315.86)
Non-controlling interest		9.66	26.84
		5,946.76	(2,289.02)
Basic earnings per share (INR)	35	41.53	(16.11)
Diluted earnings per share (INR)	35	39.94	(16.11)

Significant accounting policies 2 to 4
Accompanying note form an integral part of these consolidated financials statements

As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W

A N Shah
Partner
Membership No: 42649

V. C. SHAH & CO. CHARTERED ACCOUNTANTS

For and on behalf of Board of Directors of
FSN E-Commerce Ventures Private Limited

Falguni Nayar
Managing Director & CEO
DIN No. 00003633

Milan Khakhar
Director
DIN No. 00394065

Arvind Agarwal
Chief Financial Officer

Rajendra Punde
Company Secretary
ACS M.No.A9785

As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230

S. R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Mumbai
Date: 08 June 2021

FSN E-Commerce Ventures Private Limited
Consolidated Statement of Cash Flows for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

	For the year ended 31 March 2021	For the year ended 31 March 2020
Operating activities		
Net profit/(loss) before tax as per Statement of profit & loss	6,612.41	(1,453.33)
Adjustments to reconcile profit / (loss) before tax to net cash flows:		
Depreciation and amortisation	7,158.94	6,455.41
Interest expense and finance costs	3,070.14	4,429.32
Realised (Gain) from sale of investments	-	(744.07)
Interest income	(1,029.23)	-
Provision for Gratuity	380.17	254.51
Provision for Leave	1,028.08	-
Provision for Share based expenses	526.03	436.10
Expected credit loss	666.73	3.48
Gain on closure of ROU	(34.43)	-
Loss on sale of Plant, Property and Equipment	177.50	-
Operating profit before working capital changes	18,556.34	9,381.42
Working capital Adjustments:		
Decrease/(Increase) in trade receivables	1,525.02	(1,975.35)
(Increase) in inventories	(4,737.81)	(20,549.14)
(Increase) in current financial asset	(1,754.29)	(259.21)
(Increase) in non-current financial assets	(1,086.56)	(677.07)
(Increase) in other assets	(1,759.26)	(17.59)
Increase in trade payables	197.13	13,152.10
(Decrease)/Increase in non-current provisions	(1,243.83)	281.55
Increase in current other financial liabilities	4,608.78	2,428.07
Increase in other current liabilities	918.46	138.10
Increase in current provisions	1,077.97	3.01
Cash generated from in operations	16,301.95	1,905.89
Ppayment of taxes (net)	(1,317.09)	(426.72)
Net cash flow from operating activities (A)	14,984.86	1,479.17
Investing activities		
Purchase of property, plant and equipment, intangible assets including movement in CWIP and capital creditors (net of proceeds from sales)	(4,206.99)	(5,082.64)
Investment in Fixed Deposits	(8,966.03)	(8,055.25)
Payments towards purchase of undertaking on slump sale	(161.50)	-
Proceeds from sale of Investments	-	13,288.39
Interest Received	360.18	5.42
Net cash flows (used in)/from investing activities (B)	(12,974.34)	155.92
Financing activities		
Proceeds from issue of equity shares on exercise of ESOP	60.58	51.28
Proceeds from securities premium (net)	10,225.59	10,800.90
Proceeds from share application money pending allotment	-	2.35
Proceeds from/(Repayment of) non-current borrowings (net)	151.05	(7.25)
Proceeds from/(Repayment of) current borrowings (net)	(8,152.07)	4,188.08
Principal payment of lease liabilities	(2,995.01)	(3,309.63)
Interest expenses on lease liabilities	(1,296.87)	(1,404.29)
Interest expense	(1,765.50)	(2,976.95)
Net cash flows (used in)/from financing activities (C)	(3,772.23)	7,344.49
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(1,761.71)	8,979.58
Cash and cash equivalents at the beginning of the year	10,119.11	1,140.90
Net foreign exchange differences	0.80	(1.37)
Cash and cash equivalents at the year end (refer note 13)	8,358.20	10,119.11

Note:
1 Non cash transactions relating to investing and financing activities. (Refer note no 16A.1, 18b, 24A and 36).
2 The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS) 7 Statement of Cash flow
3 Cash and Bank balances in current account includes Rs 1,667.20 lakhs (March 31, 2020: 0.38 lakhs) towards collections for shipments held on behalf of customers

Accompanying note form an integral part of these consolidated financials statements

As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W

A N Shah
Partner
Membership No: 42649

V. C. SHAH & CO. CHARTERED ACCOUNTANTS

As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230

S. R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Mumbai
Date: 08 June 2021

For and on behalf of Board of Directors of
FSN E-Commerce Ventures Private Limited

Falguni Nayar
Falguni Nayar
Managing Director & CEO
DIN No. 00003633

Milan Khakhar
Milan Khakhar
Director
DIN No. 00394065

Arvind Agarwal
Chief Financial Officer

Rajendra Punde
Company Secretary
ACS M.No.A9785

FSN E-Commerce Ventures Private Limited
Consolidated Statement of Changes in Equity for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

a. Equity Share Capital:

Equity shares of INR 10 each issued, subscribed and fully paid	No. of shares	Amount
At 1 April 2019	1,42,42,509	1,424.25
Issue during the year	3,06,568	30.66
At 31 March 2020	1,45,49,077	1,454.91
Issue during the year	5,08,160	50.82
At 31 March 2021	1,50,57,237	1,505.73

b. Other Equity:

Instruments classified as Equity:

0.001% Non-Cumulative, Optionally Convertible Redeemable Preference Shares ("OCRPS') of Rs. 10 each, partly paid up @ Rs 7.50 per share each.	No. of shares	Amount
At 1 April 2019	-	-
Issue during the year	2,75,000	20.63
At 31 March 2020	2,75,000	20.63
Issue during the year	1,61,500	12.11
At 31 March 2021	4,36,500	32.74

Terms/ rights attached to Optionally Convertible Redeemable Preference Shares :
4,36,500 Nos (Previous year 2,75,000) 0.001% p.a. non-cumulative OCRPS of Rs 7.50 each (partly paid up) aggregating Rs 32.74 lakhs (Previous year 20.63 lakhs) towards face value have a tenure of 5 (five) years from the date of allotment. 1 Fully Paid up OCRPS shall be converted into 1 Equity share of the face value Rs 10 each at the end of the tenure. Company shall have option to redeem the fully paid up OCRPS at the issue price as per conditions given in the letter of offer.

For the year ended 31 March 2021

Particulars	Equity attributable to equity holders of the parent							
	Share application money pending allotment	Reserves & Surplus: Retained Earnings	Reserves & Surplus: Securities premium	Other comprehensive income (OCI)	Employee Share Options Scheme Reserve	Total other equity	Non-controlling interest	Total
As at 1st April 2020	2.35	(16,090.80)	45,722.53	32.44	1,098.34	30,764.86	73.79	30,838.65
Net Profit for the year	-	6,155.11	-	-	-	6,155.11	9.61	6,164.72
Other comprehensive income/(loss)	-	-	-	(218.06)	-	(218.06)	0.05	(218.01)
Total comprehensive income/(loss)	2.35	(9,935.69)	45,722.53	(185.62)	1,098.34	36,701.91	83.45	36,785.36
Securities premium on issue of shares	-	-	10,356.82	-	-	10,356.82	-	10,356.82
ESOP lapse	-	13.06	-	-	(13.06)	-	-	-
Shares allotted during the year	(2.35)	-	717.61	-	(717.61)	(2.35)	-	(2.35)
Addition during the year	-	-	-	-	526.03	526.03	-	526.03
Share issue expenses	-	-	(131.23)	-	-	(131.23)	-	(131.23)
As at 31 March 2021	-	(9,922.63)	56,665.73	(185.62)	893.70	47,451.18	83.45	47,534.63

For the year ended 31 March 2020

Particulars	Equity attributable to equity holders of the parent							
	Share application money pending allotment	Reserves & Surplus: Retained Earnings	Reserves & Surplus: Securities premium	Other comprehensive income (OCI)	Employee Share Options Scheme Reserve	Total other equity	Non-controlling interest	Total
As at 1st April 2019	-	(13,765.01)	34,921.64	21.56	942.00	22,120.19	46.95	22,167.14
Net Profit / (Loss) for the year	-	(2,326.75)	-	-	-	(2,326.75)	26.86	(2,299.89)
Other comprehensive income/(loss)	-	-	-	10.89	-	10.89	(0.02)	10.87
Total comprehensive income/(loss)	-	(16,091.76)	34,921.64	32.44	942.00	19,804.33	73.79	19,878.12
Securities premium on issue of shares	-	-	10,522.14	-	-	10,522.14	-	10,522.14
ESOP lapse	-	1.01		-	(1.01)	-	-	-
Addition during the year	2.35	-	-	-	436.10	438.45	-	438.45
Shares allotted during the year	-	-	278.75	-	(278.75)	-	-	-
As at 31 March 2020	2.35	(16,090.75)	45,722.53	32.44	1,098.34	30,764.92	73.79	30,838.71

Significant accounting policies
Accompanying note form an integral part of these consolidated financials statements

As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W

A N Shah
Partner
Membership No: 42649

V.C. SHAH & CO. CHARTERED ACCOUNTANTS

As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230

S. R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Place: Mumbai
Date: 08 June 2021

For and on behalf of Board of Directors of
FSN E-Commerce Ventures Private Limited

Falguni Nayar
Managing Director & CEO
DIN No. 00003633

Milan Khakhar
Director
DIN No. 00394065

Arvind Agarwal
Chief Financial Officer

Rajendra Punde
Company Secretary
ACS M.No.A9785

FSN E-Commerce Ventures Private Limited
Notes to Consolidated Financial Statements as at and for the year ended 31 March 2021
Amounts in Indian Rupees in lakhs

1. Corporate Information

The consolidated financial statements comprise financial statements of FSN E-Commerce Ventures Private Limited (the 'Company') and its subsidiaries (collectively, the Group) for the year ended March 31, 2021. The Company is a private limited company incorporated and domiciled in India. The registered office of the Company is located at 104, Vasan Udyog Bhavan. Sun Mill compound, Tulsi Pipe Road, Lower Parel, Mumbai - 400013.

The Group is engaged in the business of manufacturing, selling & distribution of beauty, wellness, fitness, personal care, health care, skin care, hair care products, fashion garments, fashion accessories and equipments on the online portals or websites such as e-commerce, m-commerce, internet, intranet as well as through physical stores, stalls, general trade and modern trade etc. Information on the Group's structure is provided in Note 38.

The consolidated financial statements for the year ended 31 March 2021 were approve by the Board of Directors and authorised for issue on 8 June 2021.

The Group's consolidated financial statements are presented in Indian Rupees (Rs.), which is the functional currency and all values are rounded to the nearest lakhs ('00,000), except when otherwise stated.

2. Significant accounting policies

2A. Basis of preparation

i) Statement of compliance:
These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as prescribed under Section 133 of the Companies Act, 2013 (the "Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III).

These Ind AS Consolidated Statements have been prepared for the Group as a going concern on the basis of relevant Ind AS that are effective as at March 31, 2021.

ii) Historical cost convention:
The consolidated financial statements have been prepared on a historical cost convention on accrual basis, except for certain assets and liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2B. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at March 31, 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

S.R. BATLIBOI & ASSOCIATES LLP * MUMBAI * CHARTERED ACCOUNTANTS

C. SHAH & CO. * CHARTERED ACCOUNTANTS

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent Company, i.e., year ended on March 31. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

a) Like items of assets, liabilities, equity, income, expenses and cash flows of the parent are combined with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 "Income Taxes" applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to

S. R. Batliboi & Associates LLP * Chartered Accountants * Mumbai

V. C. Shah & Co. * Chartered Accountants *

bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Recognise that distribution of shares of subsidiary to Group in Group's capacity as owners
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or transferred directly to retained earnings, if required by other Ind ASs as would be required if the Group had directly disposed of the related assets or liabilities

2C. Summary of significant accounting policies:

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are recognised as incurred and included in administrative & other expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 "Financial Instruments", is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with Ind AS 109. Other contingent consideration that is not within the scope of Ind AS 109 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

C. SHAH & CO. CHARTERED ACCOUNTANTS

measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Current versus non-current classification

The Group 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 realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be settled within twelve months after the reporting period or
- Cash or cash equivalents 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 or due to be settled within twelve months after the reporting period
- It is held primarily for the purpose of trading
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group 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 realization in cash and cash equivalents. The Group has identified period of twelve months as its operating cycle.

c) Property Plant & Equipment

Property, Plant & Equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of Property, Plant & Equipment is included in asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and cost of the item can be measured reliably. All

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

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other repairs and maintenance are charged to the statement of profit and loss for the period during which they are incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Cost incurred on Property, plant and equipment not ready for their intended use is disclosed as Capital Work-in-Progress. Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date are classified as capital advances under other non-current assets.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of Property, Plant & Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Depreciation on Property, Plant & Equipment:
Depreciation is provided using the Straight Line Method based on useful lives of the assets prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortized on a straight line basis over the period of primary lease or the expected useful life whichever is lower.

Estimated useful lives of the assets are as follows:

Property Plant & Equipment	Useful lives (in years)
Plant and Equipment	8
Computers	3
Furniture & Fixtures	10
Office Equipments	5
Vehicles	8

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively for any change in estimate, if appropriate. Changes in expected useful lives are treated as change in accounting estimates.

d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Following, initial recognition, intangible assets with finite lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible

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assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Amortization of intangible assets:
Intangible assets are amortized on straight line basis as per the following useful lives:

Intangible asset	Useful lives (in years)
Trade Mark	5
Business application development (Internally generated)	3
Website	3
Software	3

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. During the period of development, the asset is tested for impairment annually.

e) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date. If there is any indication of impairment based on internal / external factors, an impairment loss is recognised, i.e. wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared for the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the statement of profit and loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

f) Inventory

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: 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.

- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs. Cost is determined on first in, first out basis.

- Stock in Trade: 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.

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

An inventory provision is recognised for cases where the net realisable value is estimated to be lower than the inventory carrying value. The net realisable value is estimated taking into account various factors, including obsolescence of material due to design change, process change etc., unserviceable items i.e. items which cannot be used due to deterioration in quality or due to shelf life or damaged in storage and ageing of material i.e. slow moving/non-moving prevailing sales prices of inventory.

g) Leases

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

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Group as a lessee:

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

i. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.
The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Right of use for Properties 2 to 6 years

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

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

ii. Lease liabilities:

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

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

iii. Short term leases and leases of low value assets:

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

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Sub-lease

At the commencement date, the Company Group recognises assets held under a sub-lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease. The Company Group uses the interest rate implicit in the lease to measure the net investment in the lease. In case if the interest rate implicit in the sublease cannot be readily determined, the Company Group being an intermediate lessor uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties, if any, for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The Company Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on net investment in the lease.

Net investment in the lease are subject to the derecognition and impairment requirements in Ind AS 109. The Company Group regularly reviews estimated unguaranteed residual values, if any, used in computing the gross investment in the lease and adjusts the income allocation accordingly.

h) 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.

Initial recognition and measurement:

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All Financial assets and liabilities are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Financial Assets
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section (i(I)) Revenue from contracts with customers.

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In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial Liabilities

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

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

Subsequent measurement:

i. Financial assets

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value though profit or loss

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, loans to employees and loan to subsidiaries.

Financial Assets at fair value through other comprehensive Income (FVTOCI)

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within business model whose objective is achieved by both collecting contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and selling financial assets.

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

Financial assets are measured at fair value through profit or loss unless it measured at amortised cost or fair value through other comprehensive income on initial recognition. The transaction cost directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in the statement of profit and loss.

ii. Financial liabilities

Financial liabilities at fair value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the Group may transfer

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the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

Financial liabilities at amortised cost (loans and borrowings)
Financial liabilities are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 115.

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

Derecognition
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:
• The rights to receive cash flows from the asset have expired
Or
• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of profit and loss if such gain or loss would have otherwise been recognised in statement of profit and loss on disposal of that financial asset.

Financial Liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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Impairment of financial assets:
In accordance with Ind AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115
b) Investments
c) Other financial assets such as deposits, advances etc.

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Trade receivables are written off when there is no reasonable expectation of recovery

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

i) Revenue recognition:

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

The Group identifies the performance obligations in its contracts with customers and recognises revenue as and when the performance obligations are satisfied. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of products:
Revenue is recognised upon transfer of control of promised products to customer in an amount that reflects the consideration which the Group expects to receive in exchange for products. Revenue from the sale of products is recognised when products are delivered to customer. Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers.

Contacts where the Group's obligation is to arrange for the provision of goods and services by another party, the Group recognizes revenue in the amount of the commission to which it expects to be entitled in exchange for arranging for the provision of goods and services.

Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

Rendering of services:

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Income from services are recognised as and when the services are rendered.

Marketing Support Revenue

- The Group recognizes marketing income i.e. visibility services provided by the Group to various brands at retail outlets of the Group. Revenue from advertisement services is recognised when advertisement is displayed.

- Advertising revenue is derived from displaying web and application based banner ads and sale of online advertisements. Revenue from banner advertisement is recognised pro rata over the period of display of advertisement as per contract.

- Revenue from sale of online advertisements is recognised based on output method and the Group applies the practical expedient to recognize advertising revenue in the amount to which the Group has a right to invoice upon rendering of services.

Reward points programme
The Group has a reward points programme which allows customers to accumulate points that can be redeemed against future purchases of products at discounted prices. The reward points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the reward points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of points by the customer.

When estimating the stand-alone selling price of the reward points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on an annual basis and any adjustments to the contract liability balance are charged against revenue.

ii. Contract balances:

- **Contract assets**
  A contract asset is the right to consideration in exchange for products or services transferred to the customer. If the Group performs by transferring products or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

  Trade receivables
  A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section - Financial instruments – initial recognition and subsequent measurement.

- **Contract liabilities**
  A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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j) Interest income:

Interest income is accrued on time basis, by reference to the principle outstanding and using the effective interest rate method. Interest income is included under the head "Other income" in the statement of profit and loss.

k) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

l) Foreign currency transactions

Functional and presentation currency
The consolidated financial statements are presented in Indian Rupees (INR), which is the functional currency of the Group and the currency of the primary economic environment in which the Group operates.

Foreign currency transactions and balances

(i) Initial recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion
Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

(iii) Exchange differences
Exchange differences arising on settlement or translation of other monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the statement of profit and loss in the year in which they arise.

m) Share Based payment
Employees (including senior executives) of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

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The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in share Options outstanding reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

n) *Post-employment* and other employee benefits

Short term employee benefits

All short term employee benefits such as salaries, incentives, medical benefits which are expected to be settled wholly within 12 months after the end of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the statement of profit and loss.

Post-employment benefits

i. Defined Contribution Plans:
Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the year when the contribution to the funds is due. There are no other obligations other than the contribution payable to the fund. The Group recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service.

ii. Defined Benefit Plans

Gratuity
The Group have an obligation towards gratuity, a defined benefit plan covering eligible employees. The plan provides for a lump-sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The gratuity benefits are unfunded.

Gratuity liability is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

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Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through 'Other comprehensive income' in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Compensated absences
The Group provides for the encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment. The liability is provided based on the number of days of unutilised leave at each balance sheet date on the basis of an independent actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer the settlement for at least 12 months after the reporting date, regardless of when the actual settlement.

o) **Borrowing cost:**
Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they are incurred. Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowing to the extent they are regarded as adjustment to the interest cost.

p) **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 Group.
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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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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For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The management assessed that cash and cash equivalents, trade receivables, advances, trade payables, bank overdraft and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The management selects appropriate valuation techniques using discounted cash flow model when the fair value of the financial assets and liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. External valuers are involved for valuation of significant assets and liabilities. The management selects external valuer on various criteria such as market knowledge, reputation, independence and whether professional standards are maintained by valuer. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

q) Income taxes

Tax expense comprises current and deferred tax.

Current income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Group operates.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and the carry forward of any unused tax losses. Deferred tax assets are 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 losses can be utilized.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Current tax and deferred tax are measured using the tax rates and tax laws enacted or substantively enacted, at the reporting date. Current income tax and deferred tax relating to items recognized outside profit and loss is recognized outside profit and loss (either in OCI or in equity). The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and considers whether it is probable that a taxation authority will accept

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an uncertain tax treatment. The group shall reflect the effect of uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

r) 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, and other short term highly liquid investments which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

s) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

t) Earnings per share

Basic earnings per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, except where the result would be anti-dilutive.

u) Segment reporting policies

Considering Company's aggressive expansion plan for driving synergy across fulfilment models, sales channels and product categories, it necessitates change in current review mechanism. The management reviews and allocates resources based on Omni business and Omni channel strategy, which in the terms of Ind AS 108 on 'Operating Segments' constitutes a single reporting segment.

v) Share capital

Equity shares are classified as equity. Incremental costs directly attributable to the issue of equity shares are recognised as a deduction from equity.

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3. Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. Such judgments, estimates and associated assumptions are evaluated based on historical experience and various other factors, including estimation of the effects of uncertain future events, which are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The following are the critical judgements and estimations that have been made by the management in the process of applying the Group's accounting policies and that have the most significant effect on the amount recognised in the financial statements and/or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

I. Judgements:

- **Determining the lease term of contracts with renewal and termination options – the Group as lessee**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

The Group included the renewal period as part of the lease term for leases of property with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on business if a replacement by way of alternate property is not readily available. The renewal periods for leases of property with longer non-cancellable periods (i.e., 6 to 10 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

II. Estimates and assumptions:

a. Estimation of useful life of property, plant and equipment and intangible asset

Property, plant and equipment and intangible assets represent a significant proportion of the asset base of the Group. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets.

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b. Fair Value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

c. Estimation of defined benefit obligation and compensated absences

The cost of the defined benefit gratuity plan, compensated absences and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. Future salary increases are based on expected future inflation rates. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at interval in response to demographic changes.

d. Income taxes:

Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

e. Deferred Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. In assessing the probability the Group considers whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Group has recognised deferred tax assets on the unused tax losses and other deductible temporary differences since the management is of the view that it is probable the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets.

f. Business combination:

In accounting for business combinations, judgment is required in identifying whether an identifiable intangible asset is to be recorded separately from goodwill. Additionally, estimating the acquisition date fair value of the identifiable assets acquired (including useful life estimates), liabilities assumed, and contingent consideration assumed involves management judgment. These measurements are based on information available at the acquisition date and are based on expectations and assumptions that have been deemed reasonable by management. Changes in these judgments, estimates, and assumptions can materially affect the results of operations.

g. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

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The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model.
The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

h. Provisions
Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

i. Impairment of financial assets:
The impairment provisions for financial assets depending on their classification are based on assumptions about risk of default, expected cash loss rates, discounting rates applied to these forecasted future cash flows, recent transactions and independent valuer's report. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

j. Measurement of fair value of non-marketable equity investments:
These instruments are initially recorded at cost and subsequently measured at fair value. Fair value of investments is determined using the income approaches. The income approach includes the use of discounted cash flow model, which requires significant estimates regarding the investees' revenue, costs, and discount rates based on the risk profile of comparable companies. Estimates of revenue and costs are developed using available historical and forecast data.

k. Reward points:
The Group estimates the stand-alone selling price of the loyalty points awarded by multiplying to the estimated redemption rate and to the monetary value assigned to the loyalty points. In estimating the redemption rate, the Group considers breakage which represents the portion of the points issued that will never be redeemed. The Group applies statistical projection methods in its estimation using customers' historical redemption patterns as the main input. The redemption rate is updated annually and the liability for the unredeemed points is adjusted accordingly. In estimating the value of the points issued, the Group considers the mix of products that will be available in the future in exchange for reward points and customers' preferences. The Group ensures that the value assigned to the reward points is commensurate to the stand-alone selling price of the products eligible for redemption (i.e., the value of each point is equivalent to the stand-alone selling price of any products eligible for redemption divided by number of points required).

l. Provision for expected credit losses of trade receivables and contract assets:
The Group uses a simplified approach to determine impairment loss allowance on the portfolio of trade receivables. This 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 the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

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The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future.

m. Leases – Estimating the incremental borrowing rates:

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group's credit rating).

n. Other estimates:

The share-based compensation expense is determined based on the Group's estimate of equity instruments that will eventually vest.

4. Standard / Amendments issued:

a. Amendment to Ind AS 116 – Leases.

The Ministry of Corporate Affairs ('MCA') issued amendments to Ind AS 116, "Leases", provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments allowed the expedient to be applied to COVID-19-related rent concessions to payments originally due on or before 30 June 2021 and also require disclosure of the amount recognized in profit or loss to reflect changes in lease payments that arise from COVID-19-related rent concessions. The reporting period in which a lessee first applies the amendment, it is not required to disclose certain quantitative information required under Ind AS 8. Accordingly, the Group recognized resulting gain on reversal of lease liability in the financial statement for the year ended 31 March 2021.

b. On 24 March 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from 1 April 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:

• Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current. • Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period. • Specified format for disclosure of shareholding of promoters. • Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development. • If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used. • Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable

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property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

Statement of profit and loss:
• Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the standalone financial statements.

The amendments are extensive and the Group will evaluate the same to give effect to them as required by law.

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4A Property, plant and equipment

	Computer Equipment	Furniture & Fixtures	Office equipments	Vehicles	Plant and equipment	Leasehold improvements	Total
Cost or deemed cost (gross carrying amount)							
At 1 April 2019	957.99	2,383.70	765.39	43.98	24.97	1,284.07	5,460.10
Additions	685.66	2,194.12	430.61	-	16.42	745.19	4,072.00
Disposals/transfers	-	-	(3.81)	-	-	-	(3.81)
At 31 March 2020	1,643.65	4,577.82	1,192.19	43.98	41.39	2,029.26	9,528.29
Additions*	524.05	653.64	331.26	-	1.28	378.71	1,888.94
Disposals/transfers	(1.79)	(186.17)	(11.92)	-	-	(139.16)	(339.04)
At 31 March 2021	2,165.91	5,045.29	1,511.53	43.98	42.67	2,268.81	11,078.19
Accumulated depreciation and impairment losses							
At 1 April 2019	384.49	284.29	157.02	5.26	2.65	336.12	1,169.83
Depreciation charge for the year	371.37	503.74	183.66	5.22	3.97	277.26	1,345.22
Disposals/adjustments	-	-	(1.57)	-	-	-	(1.57)
At 31 March 2020	755.86	788.03	339.11	10.48	6.62	613.38	2,513.48
Depreciation charge for the year	450.26	514.31	231.83	33.50	4.79	626.47	1,861.16
Disposals/adjustments	(0.90)	(81.39)	(5.90)	-	-	(73.35)	(161.54)
At 31 March 2021	1,205.22	1,220.95	565.04	43.98	11.41	1,166.50	4,213.10
Net Book Value							
At 31 March 2021	960.69	3,824.34	946.49	-	31.26	1,102.31	6,865.09
At 31 March 2020	887.79	3,789.79	853.08	33.50	34.77	1,415.88	7,014.81

#Movable assets have been pledged to secure borrowings of the Company (Refer Note-20.1)
Gross carrying amount of Rs 20 lakhs and Rs. 80 lakhs of Plant and machinery and furnitures and fixtures respectively are lying at the third party vendors i.e. distributers and retailers.
*Refer note no 45 for acquisition of assets on account of business purchase.

On transition to Ind AS (i.e. 1 April 2018), the group has elected to continue with the carrying value of all Property, plant and equipment measured as per the previous GAAP and use that carrying value as the deemed cost of Property, plant and equipment.

4B Right of Use Assets

	Right of Use Assets
Gross block	
At 1 April 2019	10,531.40
Additions	9,633.96
Disposals/transfers	-
At 31 March 2020	20,165.36
Additions	4,694.36
Disposals/transfers*	(636.33)
At 31 March 2021	24,223.39
Accumulated depreciation	
At 1 April 2019	1,938.28
Depreciation charge for the year	3,827.73
Disposals/adjustments	-
At 31 March 2020	5,766.01
Depreciation charge for the year	4,887.44
Disposals/adjustments	(323.28)
At 31 March 2021	10,330.17
Net Book Value	
At 31 March 2021	13,893.22
At 31 March 2020	14,399.35

*Disposals/transfer includes decognition of ROU asset on cancellation of lease contract

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FSN E-Commerce Ventures Private Limited
Notes to the Consolidated financial statements for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

5 Intangible assets

	Catalogue	Business Application Development cost	Computer Softwares	Trademark	Total	Goodwill
Cost or deemed cost (gross carrying amount)						
At 1 April 2019	1,519.29	1,940.89	151.04	-	3611.22	14.27
Additions	22.25	946.61	45.59	-	1014.45	-
Disposals/transfers	-	-	-	-	-	-
At 31 March 2020	1,541.54	2,887.50	196.63	-	4,625.67	14.27
Additions*	9.91	1,039.39	253.29	494.44	1797.03	40.00
Disposals/transfers	-	-	-	-	-	-
At 31 March 2021	1,551.45	3,926.89	449.92	494.44	6,422.70	54.27
Accumulated amortisation and impairment losses						
At 1 April 2019	594.45	973.27	58.31	-	1626.03	0.24
Amortisation/impairment charge for the year	500.95	723.94	54.10	-	1,278.99	-
Disposals/adjustments	-	-	-	-	-	3.47
At 31 March 2020	1,095.40	1,697.21	112.41	-	2,905.02	3.71
Amortisation/impairment charge for the year	456.06	659.57	98.11	0.46	1214.20	-
Disposals/adjustments	-	-	-		-	-
At 31 March 2021	1,551.46	2,356.78	210.52	0.46	4,119.22	3.71
Net Book Value						
At 31 March 2021	(0.01)	1,570.11	239.40	493.98	2,303.48	50.56
At 31 March 2020	446.14	1,190.29	84.22	-	1,720.65	10.56

*Refer note no 45 for acquisition of assets on account of business purchase.

On transition to Ind AS (i.e. 1 April 2018), the group has elected to continue with the carrying value of all Intangible assets measured as per the previous GAAP and use that carrying value as the deemed cost of Intangible Assets.

6 Capital work in progress and Intangible assets under development

Intangible assets under development

At 1 April 2019	-
Addition	124.53
Capitalisation	-
At 31 March 2020	124.53
Addition	38.79
Capitalisation	124.56
At 31 March 2021	38.76

Capital work in progress

At 1 April 2019	31.98
Addition	77.80
Capitalisation	31.98
At 31 March 2020	77.80
Addition	196.86
Capitalisation	77.80
At 31 March 2021	196.86

As at March 31, 2021, intangible assets under developmemt include cost for development of business appplication.
As at March 31, 2020, intangible assets under developmemt include cost for implementation of accounting software microsoft dynamics D365.
Capital work in progress comprises of expenses incurred towards improvement to leasehold premises.

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7 Investments

	Particulars	As at 31 March 2021		As at 31 March 2020	
		Units	Amount	Units	Amount
7A	**NON-CURRENT INVESTMENTS**				
	Measured at fair value through Other Comprehensive Income (FVTOCI)				
	Investment in Preferance Shares (Unquoted, fully paid up)				
	JMS Logistics and Express Private Limited				
	In Series A1 Compulsory Convertible Cumulative Preference Shares of Re. 1/- each	2,71,429	131.91	2,71,429	380.33
	Total investments measured at FVTOCI		**131.91**		**380.33**
	Total Non-current investments		**131.91**		**380.33**

7.1 For list of investments in subsidiaries, joint ventures and associates along with proportion of ownership interest held and country of incorporation refer note 46.

7.2 Investments at fair value through OCI (fully paid) reflect investment in unquoted securities. These securities are designated as FVTOCI as they are not held for trading purpose and are not in similar line of business as the Group. Thus, disclosing their fair value fluctuation in profit or loss will not reflect the purpose of holding.

		As at 31 March 2021	As at 31 March 2020
7.3	**CATEGORY-WISE INVESTMENT**		
	Measured at Fair Value Through Other Comprehensive Income (FVTOCI)	131.91	380.33
	Total Investments	**131.91**	**380.33**
	Aggregate amount of Unquoted Investments	131.91	380.33
	Aggregate amount of impairment in value of investments	248.41	-

During the year the Group has recognised the impact of decline in the fair value of investment of Rs. 248.41 lakhs (previous year INR Nil) through other comprehensive income.

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8 Loans (non-current)

	As at 31 March 2021	As at 31 March 2020
(Measured at amortised cost, except otherwise stated)		
Security deposits (unsecured, considered good)	1,617.14	1,058.40
(Security Deposits given for the period ranging from 2 to 6 years)		
Total	1,617.14	1,058.40

9 Income Taxes

The major components of income tax expense for the years ended 31 March 2021 and 31 March 2020 are:

A Statement of profit and loss:

	For the year ended 31 March 2021	For the year ended 31 March 2020
i. Profit or loss section:		
Current income tax:		
Current income tax charge	4,007.80	605.91
Adjustments in respect of current income tax of previous year	(152.19)	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(3,096.12)	240.67
Adjustments in respect of deferred tax of previous year	(311.85)	-
Income tax expense/(income) reported in the statement of profit or loss	447.64	846.58
ii. OCI section - Deferred tax related to items recognised in OCI during the year:		
Tax Expenses/(Income) on remeasurements of defined benefit plans & Investment	74.46	(16.44)
Income tax expense charged / (credited) to OCI	74.46	(16.44)

B Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2021 and 31 March 2020:

	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit / (loss) before tax	6,612.41	(1,453.33)
Applicable tax rate	25.17%	25.17%
Tax using the Company's domestic tax rate	1,664.34	(365.80)
Tax effect of:		
Interest on late payment of taxes	78.45	5.36
Tax expenses/(credit) relating to earlier years	(612.64)	-
Deferred tax not recognised on losses	-	460.45
Others	(218.28)	746.57
Income tax expenses as per statement of profit and loss	911.87	846.58
Current tax expense	4,007.80	605.91
Deferred tax reversal /(provision)	(3,096.12)	240.67
Tax expense recognized in the statement of profit and loss	911.68	846.58
Effective tax rate	13.79%	58.25%

C Gross movement in the current income tax assets/liabilities for the years ended March 31, 2021 and March 31, 2020:

Particulars	As at 31 March 2021	As at 31 March 2020
Net income tax asset at the beginning	925.37	1,104.56
Income tax paid	1,317.09	426.72
Current income tax expense	(4,007.80)	(605.91)
Income tax (expense)/credit for earlier years	152.19	-
Net income tax asset/liability at the end	(1,613.15)	925.37
Income tax asset	856.18	1,104.48
Income tax liability	(2,469.33)	(179.11)
Income tax asset / (liability) (net)	(1,613.15)	925.37

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D Deferred tax:

i. Deferred tax assets and liabilities are attributable to the following:

Particulars	As at 31 March 2021	As at 31 March 2020
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	674.43	249.66
Impact of brought forward losses	4,912.64	3,968.32
Impact of preliminary expenses	-	9.74
Impact of difference between tax depreciation / amortisation and depreciation / amortisation as per books	629.42	165.79
Provision of doubtful debts	487.30	5.92
Impact of difference in carrying value of assets/liabilities as per book base and tax base	1,162.47	1,212.06
Impact of stock elimination	906.96	-
Lease related assets and liabilities (net)	87.06	-
Deferred tax assets (A)	**8,860.28**	**5,611.49**
Impact of difference between tax depreciation / amortisation and depreciation / amortisation as per books	722.35	72.14
Lease related assets and liabilities (net)	334.09	1,193.96
Fair value in the value of investments	0.04	24.03
Deferred tax liabilities (B)	**1,056.48**	**1,290.13**
Deferred tax assets (net) (C=A-B)	**7,803.80**	**4,321.36**

ii. Reconciliation of deferred tax assets (net):

	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening balance as of 1 April	4,321.36	4,578.47
Tax income/(expense) during the period recognised in profit or loss	3,096.12	(240.67)
Tax income/(expense) during the period recognised in OCI	74.46	(16.44)
Deferred tax credit for unrecognised business loss of earlier years	311.85	-
Closing balance as at 31 March	7,803.79	4,321.36

10 Other non-current assets

	As at 31 March 2021	As at 31 March 2020
Advance for capital goods	135.32	389.10
Total	135.32	389.10

11 Inventories

	As at 31 March 2021	As at 31 March 2020
(Valued at lower of cost and net realisable value)		
Stock in trade	44,649.47	42,601.32
Finished goods	2,371.05	292.13
Raw materials	1,076.35	1,056.17
Packing material	1,712.15	1,059.09
Total	49,809.02	45,008.71

During the year ended 31 March 2021, INR 2,234.48 lakhs (31 March 2020: INR 812.41 lakhs) is recognised as provision taking into account various factors, including obsolescence of material, unserviceable items and ageing of material.

12 Trade receivables (unsecured)

	As at 31 March 2021	As at 31 March 2020
(Measured at amortised cost, except otherwise stated)		
Trade receivables - Considered Good	7,663.46	9,843.32
Trade Receivables which have significant increase in credit risk	695.75	29.02
Less: Allowances for expected credit loss (Refer note no 43B)	(695.75)	(29.02)
	7,663.46	9,843.32

(For details of trade receivable with related party refer note 38 related party disclosures)
No trade receivable are due from directors or other officers of the company either severally or jointly with any other person.
Trade receivables are non-interest bearing and are generally on terms of 0 to 90 days

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13 Cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
(Measured at amortised cost, except otherwise stated)		
Cash on hand	34.29	11.63
Balances with banks		
- in current accounts	5,865.83	6,797.89
Deposits with original maturity of less than three months		
- With Banks	1,454.91	3,309.59
- With Financial Institution.	1,000.00	-
Cheques on hand	3.17	-
	8,358.20	10,119.11

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

Cash and Bank balances in current account includes Rs 1,667.20 lakhs (March 31, 2020: 0.38 lakhs) towards collections for shipments held on behalf of customers

14 Bank balance other than cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
Margin money deposits with bank (held as lien by bank against guarantees)	306.78	71.85
Deposits with original maturity for more than 3 months but less than 12 months		
- With Banks	14,399.95	7,270.85
- With Financial Institution.	1,702.00	100.00
	16,408.73	7,442.70

15 Loans (current)

	As at 31 March 2021	As at 31 March 2020
(Measured at amortised cost, except otherwise stated)		
Security Deposits (unsecured)		
Considered Good	542.58	741.11
	542.58	741.11

16A Other financial assets

	As at 31 March 2021	As at 31 March 2020
(Unsecured and considered good)		
(Carried at amortised cost, except otherwise stated)		
Interest accrued on deposit but not due	492.25	24.31
Unbilled receivable	1,604.83	1,516.31
Receivable from COD/Prepaid	3,104.11	1,038.70
	5,201.19	2,579.32

16A.1 Movement in Interest accrued on deposit but not due

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance	24.31	0.76
Interest accrued during the year	828.12	28.97
Receipt of interest during the year	(360.18)	(5.42)
Closing balance	492.25	24.31

16B Other current assets

	As at 31 March 2021	As at 31 March 2020
Advance to suppliers (unsecured, considered good)	3,235.60	2,133.29
Advance against expenses (unsecured, considered good)	1,429.61	322.88
Prepaid expenses	578.72	856.23
Advance given to employees	-	10.64
Balance with statutory / government authorities	3,074.14	2,981.99
	8,318.07	6,305.03

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(All amounts in Rs. lakhs, unless otherwise stated)

17 Share Capital

i) Authorised Share Capital	No. of shares	Amount
At 1 April 2019	1,50,00,000	1,500.00
Increase / (decrease) during the year	50,00,000	500.00
At 31 March 2020	2,00,00,000	2,000.00
Increase / (decrease) during the year	-	-
At 31 March 2021	2,00,00,000	2,000.00

ii) Authorised Equity Share Capital (Equity shares of Rs. 10 each)	No. of shares	Amount
At 1 April 2019	1,50,00,000	1,500.00
Increase / (decrease) during the year	45,00,000	450.00
At 31 March 2020	1,95,00,000	1,950.00
Increase / (decrease) during the year	-	-
At 31 March 2021	1,95,00,000	1,950.00

	No. of shares	Amount
iii) Authorised Preference Share Capital (Preference shares of Rs. 10 each)		
At 1 April 2019	-	-
Increase / (decrease) during the year	5,00,000	50.00
At 31 March 2020	5,00,000	50.00
Increase / (decrease) during the year	-	-
At 31 March 2021	5,00,000	50.00

Note

i) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share.

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. The distribution will be in proportion to the number of equity shares held by the shareholders.

Each equity shareholder is entitled to dividends as and when the Company declares and pays dividend after obtaining shareholders' approval.
During the year ended March 31, 2021, the amount of per share dividend recognised as distribution to equity share-holders was NIL (March 2020 : NIL)

ii) Issued share capital

a) Issued equity capital

	Equity shares	
Equity shares of INR 10 each issued, subscribed and fully paid	No. of shares	Amount
At 1 April 2019	1,42,42,509	1,424.25
Issue during the year	3,06,568	30.66
At 31 March 2020	1,45,49,077	1,454.91
Issue during the year	5,08,160	50.82
At 31 March 2021	1,50,57,237	1,505.73

iii) Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at 31 March 2021		As at 31 March 2020	
	No. of shares	% holding	No. of shares	% holding
Falguni Nayar**	33,13,331	22.00%	33,13,331	22.77%
Sanjay Nayar**	40,03,964	26.59%	40,03,964	27.52%
Indra Singh Banga/Harindarpal Singh Banga	13,55,993	9.01%	13,55,993	9.32%

** includes shares held through Family Trusts, which were held individually in preceding financial year.

Equity shares of Rs 10 each fully paid

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

iv) Shares reserved for issue under option

The Company has reserved issuance of 11,00,000 (Previous year 11,00,000) Equity Shares of Rs. 10 each for offering to Eligible Employees of the Company and its subsidiaries under Employees Stock Option Scheme (ESOS). During the year the Company has granted 84,700 options (Previous year 37,650) at a price of Rs. 6,059.56/- (Previous year Rs.3,862.21/-) per option. Cumulative number of equity shares granted under Employee Stock Option Scheme (ESOS) is 8,67,575 equity shares as at 31 March 2021 (31 March 2020: 7,82,875).

v) Neither bonus shares issued nor shares issued for consideration other than cash during the period of five years immediately preceding the reporting date

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18 Other equity

	As at 31 March 2021	As at 31 March 2020
a. Instruments classified as Equity:		
0.001% Non-Cumulative, Optionally Convertible Redeemable Preference Shares		
Opening balance	20.63	-
Add : Additions during the year	12.11	20.63
Less: Transfer during the year	-	-
Closing balance	32.74	20.63

0.001% Non-Cumulative, Optionally Convertible Redeemable Preference Shares ("OCRPS') of Rs. 10 each, partly paid up @ Rs 7.50 per share each.

Terms/ rights attached to Optionally Convertible Redeemable Preference Shares:
4,36,500 Nos (Previous year 2,75,000) 0.001% p.a. non-cumulative OCRPS of Rs 7.50 each (partly paid up) aggregating Rs 32.74 lakhs (Previous year 20.63 lakhs) towards face value have a tenure of 5 (five) years from the date of allotment. 1 Fully Paid up OCRPS shall be converted into 1 Equity share of the face value Rs 10 each at the end of the tenure. Company shall have option to redeem the fully paid up OCRPS at the issue price as per conditions given in the letter of offer.

	As at 31 March 2021	As at 31 March 2020
b. Securities premium		
Opening balance	45,722.53	34,921.64
Add : Additions during the year	11,074.43	10,800.89
Less: Share issue expenses	(131.23)	-
Closing balance	56,665.73	45,722.53
c. Retained earnings		
Opening balance	(16,090.75)	(13,765.01)
Add: Profit / (Loss) during the year	6,155.11	(2,326.75)
Less: Transferred from share option outstanding reserve for vested options lapsed	13.06	1.01
Closing balance	(9,922.58)	(16,090.75)
d. Share application money pending allotment		
Opening balance	2.35	-
Add : Additions during the year	-	2.35
Less: Shares alloted during the year	(2.35)	-
Closing balance	-	2.35
e. Employee Share Options Scheme Reserve		
Opening balance	1,098.34	942.00
Add : Additions during the year	526.03	436.10
Less: Shares excersied during the year	(717.61)	(278.75)
Less: Lapses during the year	(13.06)	(1.01)
Closing balance	893.70	1,098.34

Nature and purpose of reserves

Securities premium

Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares is transferred to "Securities Premium ".

The securities premium can be utilised only in accordance with the provisions of section 52 of the Companies Act 2013.

Retained earnings

Retained earnings are the profits/(loss) that the Group has earned/incurred till date, less any transfers to general reserve, dividends or other distributions paid to shareholders. Retained earnings is a free reserve available to the Group and eligible for distribution to shareholders, in case where it is having positive balance representing net earnings till date.

Share application money pending allotment

This represents the share application money received in previous year for Employee Stock Option Scheme for which shares are allotted during the current financial year.

Employee Share Options Scheme Reserve

The fair value of the equity-settled share based payment transactions with employees is recognized in Statement of Profit and Loss with corresponding credit to Employee Share Options Scheme Reserve

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V. C. Shah & Co. Chartered Accountants

19 **Borrowings - non-current**

	As at 31 March 2021	As at 31 March 2020
Secured - Carried at amortised cost		
Term Loan from bank - vehicle	-	14.95
Term Loan from bank	166.00	-
	166.00	14.95

Note
Term loan from bank - vehicle is secured against first charge on vehicle and is payable in 59 monthly installments & carrying interest rate of 8.24 % p.a.
Term loan from bank is secured against second charge on all current assets, moveable property, plant and equipment both present and future. Tenure is 48 months (including 12 month moratorium period) & rate of interest 8% p.a).

20 **Borrowings - current**

	As at 31 March 2021	As at 31 March 2020
(Secured - carried at amortized cost)		
Working capital loan from Banks (refer 20.1 to 20.4 below)	18,580.53	24,735.50
(Unsecured- carried at amortized cost)		
Loan from Shareholders (refer 20.5 below)	-	1,997.10
	18,580.53	26,732.60

Note
20.1 Working Capital/Cash Credit Facilities from Bank is secured by hypothecation of book debts, current assets and movable Property, plant and equipment both present and
20.2 Loan is payable on demand. Interest payable on working capital loan is MCLR adjusted with the risk spread mutually agreed between the parties.
20.3 Bank loan contain certain financial covenants & the Company has satisfied all covenants as per the terms of bank loan.
20.4 At 31 March 2021, the Company had available INR 18,515.00 lakhs (31 March 2020: INR 9,264.49 lakhs) of undrawn committed borrowing facilities.
20.5 Loan from shareholder as at March 31, 2020, is unsecured working capital loan with a duration of 90 days carrying interest rate of 11.25% p.a. which has been subsequently repaid during the year ended March 31, 2021.

21 **Lease liabilities**

	As at 31 March 2021	As at 31 March 2020
Payable for lease liabilities* (Refer note no 36)	10,738.23	13,026.02
	10,738.23	13,026.02

*The effective interest rate for lease liabilities is 9.45% for the year ended March 31, 2021 (10.50% for the year ended March 31, 2020)

22 **Provisions (non-current)**

	As at 31 March 2021	As at 31 March 2020
Provisions for Employee Benefits		
Provision for Gratuity - refer note 37	734.52	526.03
	734.52	526.03

23 **Trade payables**

	As at 31 March 2021	As at 31 March 2020
(Carried at amortized cost)		
Total outstanding dues of micro enterprises and small enterprises	907.49	1,045.89
Total outstanding dues of trade payables other than micro enterprises and small enterprises	30,713.65	30,295.26
	31,621.14	31,341.15

23.1 (For details of trade payable with related parties refer note 38 on related party disclosures)
23.2 **Details of dues to micro and small enterprises as defined under the MSMED Act, 2006**
The identification of Micro, Small and Medium Enterprises is based on the Management's knowledge of their status. Disclosure is based on the information available with the Company regarding the status of the suppliers as defined under 'The Micro, Small and Medium Enterprises Development Act, 2006'.

		As at 31 March 2021	As at 31 March 2020
a)	The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year 1	-	-
b)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006	-	-
c)	The amount of interest accrued and remaining unpaid at the end of each accounting year	1.92	-
d)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	-	-
		1.92	-

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24 Other financial liabilities (current)

	As at 31 March 2021	As at 31 March 2020
Financial Liabilities at amortised cost		
Employee related liabilities	532.11	1,404.53
Accrued expenses	5,945.76	2,143.54
Creditors for Capital Goods	211.80	856.28
Market-place vendors	1,717.85	236.09
Interest accrued but not due	65.32	57.55
Payable towards Purchase of business towards slump sale (Refer Note No. 45)	28.50	-
Current maturity of long term debt	-	7.25
Total other financial liabilities at amortised cost	8,501.34	4,705.24

(For details of Employee related liabilities with related parties refer note 38 on related party disclosures)

24A Movement in Interest accrued but not due and Finance charge:

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance	57.55	9.45
Interest and Finance charge accrued during the year	1,773.27	3,025.05
Payment of interest and Finance charge during the year	(1,765.50)	(2,976.95)
Closing balance	65.32	57.55

25 Provisions (current)

	As at 31 March 2021	As at 31 March 2020
Provisions for Employee Benefits		
Provision for Gratuity - refer note 37A	174.24	6.77
Provision for Compensated absences (refer note 37B)	910.50	-
Total	1,084.74	6.77

26A Contract liabilities

	As at 31 March 2021	As at 31 March 2020
Deferred revenue (Provision for Reward points)	569.46	497.71
Advance from customers	1,121.98	989.26
	1,691.44	1,486.97

26A.1 Movement in provision for reward points:

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance	497.71	379.99
Provision made during the year	2,124.38	1,870.41
Provision utilised during the year	(2,052.63)	(1,752.69)
Closing balance	569.46	497.71

26B Other current liabilities

	As at 31 March 2021	As at 31 March 2020
Statutory dues payable	1,751.67	833.21
Total	1,751.67	833.21

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27 Revenue from operations

	For the year ended 31 March 2021	For the year ended 31 March 2020
A. Sale of products	2,18,090.58	1,58,382.51
B. Sale of services		
Marketing support revenue	19,501.18	16,823.51
Income from marketplace services	5,528.70	1,327.39
C. Other Operating Revenue		
Logistics services income (shipping and delivery charges)	874.36	199.12
Gift card expiration	94.67	20.83
	2,44,089.49	1,76,753.36
Revenue from geographical market		
Within India	2,44,014.63	1,76,484.75
Outside India	74.86	268.61
	2,44,089.49	1,76,753.36

A Disaggregation of revenue from contracts with customers

The Company derives its major revenue from sale of products and sale of products by selected platforms (income for marketplace services), which is a single line of business. The Company also derives revenue by providing advertisement services to its suppliers which is related to sale of product business.

B Contract Balances

Particulars	As at 31 March 2021	As at 31 March 2020
Trade Receivables	7,728.46	12,424.73
Contract Liabilities	1,691.44	1,486.97
Contract Price	2,43,885.02	1,76,285.45
Revenue recognized in the period from:		
Revenue recognized in the current year from contract liability:		
Advance from Customer	989.26	639.07
Reward Point	497.71	379.99
Revenue deferred in the current year towards unsatisfied performance obligation:		
Advance from Customer	(1,121.98)	(989.26)
Reward Point	(569.46)	(497.71)
Revenue from operations	**2,44,089.49**	**1,76,753.36**

Refer accounting policy 2(i) for satisfaction of performance obligation and when the revenue is recognised

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28 Other income

	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest Income on:		
Security deposit	201.11	159.67
Bank deposit	828.12	28.97
Miscellaneous income	35.82	68.81
Foreign exchange gain / (loss) (net)	110.87	23.11
Net realised gain / (loss) on financial assets carried at fair value through profit and loss	-	759.92
Liabilities written back	-	14.32
	1,175.92	1,054.80

29A Cost of material consumed

	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening Stock	1,744.58	92.14
Purchase	4,145.11	3,386.80
Closing Stock	2,065.63	1,744.58
	3,824.06	1,734.36

29B Purchase of traded goods

	For the year ended 31 March 2021	For the year ended 31 March 2020
Purchases of traded goods	1,49,560.68	1,17,874.64
	1,49,560.68	1,17,874.64

30 Changes in inventories of finished goods and Stock-in-Trade

	For the year ended 31 March 2021	For the year ended 31 March 2020
Finished goods		
Opening balance	292.13	44.35
Closing balance	2,371.05	292.13
	(2,078.92)	(247.78)
Stock in trade		
Opening balance	42,601.32	24,185.59
Closing balance	44,649.47	42,601.32
	(2,048.15)	(18,415.73)
	(4,127.07)	(18,663.51)

31 Employee benefits expense

	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries, wages and bonus	25,820.57	18,222.82
Contribution to provident fund (refer note 37A)	435.71	363.12
Gratuity expenses (refer note 37)	380.17	254.51
Compensated absences expenses	1,028.08	-
Share based expenses (refer note 44)	526.03	436.10
Staff welfare expenses	174.10	284.84
	28,364.66	19,561.39

32 Finance costs

	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest expenses borrowings	1,624.24	2,930.41
Interest expenses on lease liabilities (Refer note no 36)*	1,296.87	1,404.29
Other finance charge	149.03	94.64
	3,070.14	4,429.34

*Interest expenses on lease liabilities include impact of rent waiver of Rs. 312.42 lakhs received during the year

33 Depreciation and amortization expense

	For the year ended 31 March 2021	For the year ended 31 March 2020
Depreciation of Property, plant and equipment (refer note 4A)	1,861.16	1,345.24
Depreciation of Right-of-use assets (refer note 4B)*	4,083.58	3,827.73
Amortisation of Intangible assets (refer note 5)	1,214.20	1,282.44
	7,158.94	6,455.41

*Depreciation on ROU assets include impact of rent waiver of Rs 803.86 lakhs received during the year

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(All amounts in Rs. lakhs, unless otherwise stated)

34 Other expenses

	For the year ended 31 March 2021	For the year ended 31 March 2020
Marketing & advertisement expense	16,947.95	20,198.02
Freight expenses	15,800.77	13,141.53
Consumption of packing materials	4,387.26	3,457.42
Web & technology expenses	4,011.57	3,455.73
Payment gateway charges	1,579.72	699.90
Legal and professional fees	831.52	581.02
Rent and maintenance expenses	831.32	657.33
Rates & taxes	771.93	569.25
Allowance for expected credit loss	666.73	3.48
Selling expenses	656.37	735.50
Beauty advisor fees	588.53	595.09
Electricity charges	440.15	461.60
Insurance expenses	341.31	110.12
Travelling & conveyance expenses	335.40	678.83
Security expenses	332.83	351.13
Recruitment expenses	324.47	354.30
Printing and stationery expenses	271.06	318.33
Repairs & maintenance	241.39	161.84
Communication expenses	237.07	206.36
Royalty	230.13	-
Bank charges	159.08	194.60
Office expenses	283.11	399.02
Director sitting fees	35.20	1.60
Expenditure towards corporate social responsibility (CSR) activities (refer note 47)	22.79	5.44
Auditors remuneration :		
- Audit fees	78.58	23.42
- Taxation matters	22.65	21.08
- Other matters	-	-
Foreign exchange (gain) / loss	1.79	40.93
Miscellaneous expenses	370.91	446.99
	50,801.59	47,869.86

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35 Earnings per share (EPS)

	For the year ended 31 March 2021	For the year ended 31 March 2020
Basic and Diluted EPS		
Profit/(Loss) after tax as per statement of profit and loss (A)	6,164.77	(2,299.91)
Calculation of weighted average number of equity shares of Rs 10 each:		
Total number of shares outstanding during the year	1,50,57,237	1,45,49,077
Weighted average number of equity shares outstanding during the year (B)	1,48,45,678	1,42,75,261
Add: Dilution impact of employee stock options and Optionally Convertible Redeemable Preference Shares	5,88,722	7,84,086
Number of Equity Shares used as denominator for calculating Diluted Earnings Per Share (C)	1,54,34,401	1,50,59,347
Basic earnings per share (D= A/B)	41.53	(16.11)
Diluted earnings per share (E = A/C)	39.94	(16.11)

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36 Leases

The Group as lessee

The Group has lease contracts for premises obtained for stores,offices, warehouse etc. Leases of premises generally have lease terms between 2 to 6 years

The Group's obligations under its leases are secured by the lessor's title to the leased assets.
There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.
Refer note 4B for carrying value of right of use assets.
Set out below are the carrying value of lease liabilities and the movement during the period:

		As at 31 March 2021	As at 31 March 2020
	As at 1 April	14,500.40	8,481.82
Add	Addition	4,165.74	9,328.20
Add	Accretion of interest	1,609.29	1,404.29
Less	Deletion due to closure	347.48	-
Less	Rent waiver	1,116.28	-
Less	Payments	4,291.88	4,713.92
	Closing balance as on March 31	14,519.79	14,500.39
	Current	3,781.56	1,474.37
	Non-current	10,738.23	13,026.02
		14,519.79	14,500.39

The maturity analysis of lease liability is disclosed in note 43
The effective interest rate for lease liabilities is 9.40% - 9.50% as on 31 March 2021 (10.50% - 11.50% as on 31 March 2020)

The following amount are recognised in profit and loss	For the year ended 31 March 2021	For the year ended 31 March 2020
Depreciation expenses of right of use assets	4,083.58	3,827.73
Interest expenses on lease liabilities	1,296.87	1,404.29
Expenses relating to short term leases	44.18	8.92
Variable lease payments	660.69	648.41
	6,085.32	5,889.35

The Group had total cash outflow for leases of INR 4,291.88 lakhs (March 20 : INR 4,713.92 lakhs)

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37A Defined Benefit Plan and Other Long Term Employee Benefit Plan:

I) Defined Contribution Plan

During the year, the group has made contribution to provident fund stated under defined contribution plan amounting to INR 435.71 lakhs (previous year FY 19-20 INR 363.12 lakhs) and the same has been recognized as an expense in the statement of profit and loss.

II) Defined Benefit Plans

The Group operates a defined benefit gratuity plan for its employees. Under the gratuity plan, every employee who has completed atleast five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service.

The Group has provided for gratuity based on actuarial valuation done as per projected unit credit method.

A. The following tables set out the funded status of the gratuity plans and the amounts recognised in the Company's financial statements as at March 31, 2021 and March 31, 2020 :

i. Amount to be recognised in balance sheet

Particulars	At 31 March 2021	At 31 March 2020
Present value of defined benefit obligation	908.50	532.79
Less: Fair value of plan assets	-	-
Funded status – deficit / (surplus)	908.50	532.79
Net liability recognised in balance sheet	908.50	532.79

ii. Changes in the present value of defined benefit obligation

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening defined benefit obligation	532.79	248.28
Current service cost	345.54	235.26
Interest cost	34.63	19.24
Actuarial (Gains)/Losses in obligation for year ended due to changes in demographic/financial assumptions	57.54	56.35
Actuarial (Gains)/Losses in obligation for year ended due to changes in Experience adjustments	(13.47)	(26.34)
Benefit paid	(48.53)	-
Closing defined benefit obligations	908.50	532.79

iii. Net defined benefit liability/ (asset) reconciliation

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening net defined benefit liability/ (asset)	532.79	248.28
Defined benefit cost included in P&L	380.17	254.50
Total re-measurements included in OCI	44.07	30.01
Employer direct benefit payments	(48.53)	-
Closing net defined benefit liability/ (asset)	908.50	532.79

B Amount for the year ended March 31, 2021 and March 31, 2020 recognised in the Statement of Profit and Loss under employee benefit expenses and other comprehensive income

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Current service cost	345.54	235.27
Interest expenses	34.63	19.24
The total amount recognised in profit and loss account	380.17	254.51
Actuarial (Gains)/Losses in obligation for year ended due to changes in demographic/financial assumptions	57.54	56.35
Actuarial (Gains)/Losses in obligation for year ended due to changes in Experience adjustments	(13.47)	(26.34)
The total amount recognised in other comprehensive income (OCI)	44.07	30.01

C The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Mortality Table	IALM (2012-14)	IALM (2012-14)
Discount rate:	6.25%	6.50%
Future salary increases*	6.50%	6.50%
Withdrawal rates	1.00%	1.00%
IALM - Indian Assured Lives Mortality (Ultimate)	IALM (2012-14)	IALM (2012-14)

The discount rate is based on the prevailing market yields of Government of India Bonds as at the Balance Sheet date for the estimated terms of the obligations.

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

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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Chartered Accountants

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D The following payments are expected contributions to the defined benefit plan in future years:

	At 31 March 2021	At 31 March 2020
Within the next 12 months (next annual reporting period)	45.35	269.90
Between 2 and 5 years	14.82	32.73
Between 5 and 10 years	397.55	677.43
Beyond 10 years	62,544.70	48,863.81
Total expected payments	63,002.42	49,843.87

The average duration of the defined benefit plan obligation at the end of the reporting period is 7 years (31 March 2020: 7 years).

E Sensitivity analysis

The sensitivity analysis of significant actuarial assumption as of end of reporting period is shown below.
Due to below mentioned changes in significant assumption, the outstanding balance of grauity as at respective year ends will be as follows :-

Particulars	At 31 March 2021	At 31 March 2020
Discount rate (-/+ 1%)		
Decrease by 100 basis points	958.93	644.69
Increase by 100 basis points	862.29	444.56
Future salary increase (-/+ 1%)		
Decrease by 100 basis points	861.64	450.97
Increase by 100 basis points	958.09	635.20

The sensitivity analysis above has 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 and assuming there are no other changes in the market conditions.

These plans typically expose the Group to actuarial risks such as: investment risk, interest risk, longevity risk and salary risk.

(A) Investment risk – The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds; if the return on plan asset is below this rate, it will create a plan deficit.

(B) Interest risk - A decrease in the discount rate will increase the plan liability.

(C) Longevity risk – The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(D) Salary risk – The present value of the defined plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

37B Compensated absence:

The Group has a policy on compensated absences for its employees. In the current year, the Group has changed the policy allowing employees to accumulate leaves subject to certain limits and carry forward into subsequent years for availment/encashment. Accordingly, this is the first year where the Group has made a provision for compensated absences as per the leave policy existing as on March 31, 2021. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at the Balance sheet date using the project unit credit method.

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38 Related party transactions

A. Names of the related parties

Names of related parties where control exists irrespective of whether transactions have occurred or not

Name of entity	Nature of relationship	% of Holding as on 31 March 2021	% of Holding as on 31 March 2020
FSN Brands Marketing Private Limited	Subsidiary	100%	100%
Nykaa E-Retail Private Limited	Subsidiary	100%	100%
Nykaa-KK Beauty Private Limited	Subsidiary	51%	51%
Nykaa Fashion Private Limited	Subsidiary	100%	100%
FSN International Private Limited	Subsidiary	100%	100%
Nykaa International UK Limited	Subsidiary of FSN International Private limited (W.e.f. January 29, 2021)	100%	-
FSN Global FZE	Subsidiary of FSN International Private limited (W.e.f. June 21, 2020)	100%	-

Directors and Key Management Personnel (KMP)

Mrs. Falguni Nayar	Managing Director & CEO
Mr. Anchit Nayar	Director
Ms. Adwaita Nayar	Director
Mr. Sanjay Nayar	Director (W.e.f. April 9, 2021)
Ms.Anita Ramachandran	Director
Ms. Alpana Parida Shah	Director
Ms. Shefali Munjal	Director
Ms. Padmini Somani	Director
Mr. Yogeshkumar Mahansaria	Director
Mr.Milan Khakhar	Director
Mr. William Sean Sovak	Director
Mr. Akshay Tanna	Director
Mr. Vikram Sud	Director (Upto April 9, 2021)
Mr. Sachin Parikh	Chief Financial Officer (Upto May 22, 2020)
Mr. Arvind Agarwal	Chief Financial Officer (W.e.f. June 01, 2020)
Mr. Pratik Bhujade	Company Secretary (Upto November 04, 2020)
Mr. Rajendra Punde	Company Secretary (W.e.f. November 05, 2020)

Relative of Key Management Personnel (KMP)
Mr.s Rashmi Mehta - Relative of Director

Group in which key management personnel have significant influence
Sealink View Probuild Private Limited
Golfland Developers Private Limited

B. Transactions with Related party

Particulars	Nature of transactions	Transactions during the year ended 31 March 2021	Outstanding balances as on 31 March 2021	Transactions during the year ended 31 March 2020	Outstanding balances as on 31 March 2020
Directors and Key Management Personnel (KMP)*					
Mrs. Falguni Nayar	(i) Remuneration	1,084.36	-	304.31	(11.71)
Ms. Adwaita Nayar	(i) Remuneration	169.74	(10.87)	111.03	(1.84)
Mr. Anchit Nayar	(i) Remuneration	185.99	(14.86)	74.78	(4.20)
Mr. Sachin Parikh	(i) Remuneration	18.30	-	138.28	(5.70)
	(ii) Share Application money received pursuant to ESOP	-	-	(28.64)	-
	(iii) Issuance of OCRPS	-	-	(1.00)	-
	(iv) Share based payments	-	-	13.74	-
Mr. Arvind Agarwal	(i) Remuneration & reimbursements	195.76	-		
	(iii) Issuance of OCRPS	0.95	-		
Mr. Pratik Bhujade	(i) Remuneration & reimbursements	11.05	-	9.34	(0.80)
Mr. Rajendra Punde	(i) Remuneration & reimbursements	49.56	-	-	-
Mrs. Rashmi Mehta	(i) Rent and maintenance expenses	24.17	(0.51)	24.31	(0.76)
	(ii) security deposit	-	(4.09)	3.49	(3.68)
	(iii) Notional interest income on security deposit	0.41	-	0.44	-
	(iv) Lease liability	-	(39.56)	(70.88)	(61.29)
	(v) Interest cost on lease liability	5.42	-	3.82	-
Ms.Anita Ramachandran	(i) Sitting Fees	3.40	-	1.00	-
	(ii) Commission	10.00	-	-	-
Ms. Alpana Parida Shah	(i) Sitting Fees	3.40	-	0.60	-
	(ii) Commission	5.00	-	-	-
Mr. Yogeshkumar Mahansaria	(i) Sitting Fees	3.40	-	-	-
	(ii) Commission	10.00	-	-	-
- Relative of Key Management Personnel (KMP)					
Mr. Anchit Nayar (through family trust)	(i) Issuance of OCRPS	3.90	-	2.50	-
Ms. Adwaita Nayar (through family trust)	(i) Issuance of OCRPS	3.90	-	2.50	-
Mrs. Falguni Nayar (through family trust)	(i) Issuance of OCRPS	4.35	-	10.00	-

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(All amounts in Rs. lakhs, unless otherwise stated)

Particulars	Nature of transactions	Transactions during the year ended 31 March 2021	Outstanding balances as on 31 March 2021	Transactions during the year ended 31 March 2020	Outstanding balances as on 31 March 2020
Company in which key management personnel have significant influence					
Sealink View Probuild Private Limited	(i) Rent, maintenance, electricity & other expenses	293.69	-	278.06	(4.33)
	(ii) Notional interest income on security deposit	(5.35)	-	(5.05)	-
	(iii) Security deposit	-	54.76	-	50.13
	(iv) Interest cost on lease liability	43.16	-	31.10	-
	(v) Lease liability	-	(1,448.95)	-	(183.54)
Golfland Developers Private Limited	(i) Rent & maintenance expenses	260.16	-	246.30	(0.47)
	(ii) Security Deposit - given	-	102.19	-	90.99
	(iii) Notional Interest income- Security Deposit	(11.20)	-	(9.99)	-
	(iv) Lease Liability	-	(76.24)	-	(284.64)
	(v) Notional Interest Expense- Lease	22.12	-	44.00	-

Figures in brackets indicates payables and income
For OCRPS, refer note 18.

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables

* The Group do not have any other transaction with key managerial person other than that disclosed above.
# Amount paid to KMP does not include the provisions made for gratuity as it is determined on an actuarial basis for the Group as a whole. Similarly, expenses for compensated absences are not included in the above table as the same is also determined on an actuarial basis for the Group as a whole.

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39 Commitments and contingent liabilities

A Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - INR 198.98 lakh as at March 31, 2021 (March 31, 2020 – Nil)

The Company has various lease contracts that have not yet commenced as at 31 March 2021. The future lease payments for theses non-cancellable lease contracts are INR 702.29 lakhs within one year, INR 954.85 lakhs within next five years and INR Nil lakhs thereafter.

B Contingent liabilities (not provided for)

	Particulars	As at 31 March 2021	As at 31 March 2020
i	**Claims against the Company, not acknowledged as debts**		
	Disputed Direct tax matters (including interest up to the date of demand, if any) [Refer note (i)]	743.66	-
	Disputed Indirect tax matters (including interest up to the date of demand, if any) [Refer note (ii)]	149.88	-
ii.	**Bank guarantees [Refer note (iii)]**	115.04	316.04

Notes:

i The Group has received income tax assessments order pertaining to subsidiary Nykaa E-Retail Private Limited for financial years 2017-18 with demands amounting to Rs.743.66 lakhs on account of certain disallowances/ adjustments made by income tax department subsequent to year end. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Group is in the process of filling the appeal with the appropriate authority.

ii The Group has received VAT assessments order for (FSN E-Commerce Ventures Private Limited, Nykaa E-Retail Private Limited and FSN Brands Marketing Private Limited) financial years 2016-17 with demands amounting to Rs 284.45 lakhs on account of certain input disallowances/adjustment made by VAT department. The Group has deposited Rs 99.64 lakhs in financial year 2021-22. Management believes that the position taken on the matter is tenable and hence, no adjustment has been made to the financial statements.

iii Nature of bank guarantee is against vendor liabilities.

40 Fair value measurement hierarchy

The fair values of financial assets and liabilities are included at the amount at which the instrument can be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

a. Carrying values of financial assets i.e. cash and cash equivalents, trade receivables, others financial assets and of financial liabilities i.e. trade and other payables, working capital loan and other borrowings and other financial liabilities are reasonable approximations of their fair values due to the short maturities of these instruments.

b. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at FVTPL and financial assets and liabilities measured at FVTOCI.

Quantitative disclosures fair value measurement hierarchy for assets/liabilities as at 31 March 2021 and 31 March 2020 is as under:

	Level of inputs used	Carrying value / fair value as at	
		31 March 2021	31 March 2020
Financial Assets:			
At Fair Value through other comprehensive income (FVTOCI)			
Non-current investments	Level 2	131.91	380.33
At amortised cost			
Loans		2,159.72	1,799.51
Trade receivables		7,663.46	9,843.32
Cash and cash equivalents		8,358.20	10,119.11
Bank balance other than cash and cash equivalents		16,408.73	7,442.70
Other financial assets		5,201.19	2,579.32
Financial Liabilities:			
At amortised cost			
Borrowings (including current maturities)		18,746.53	26,747.55
Other financial liabilities		8,501.34	4,705.24
Lease liabilities		14,519.79	14,500.39
Trade payables		31,621.14	31,341.15

Valuation Methodology

i The Company has measured fair value for Level 2 investment using the third-party pricing information without adjustment

ii During the period ended 31 March 2021 and 31 March 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

41 Segment information:

Considering Company's aggressive expansion plan for driving synergy across fulfilment models, sales channels and product categories, it required change in current review mechanism. The Group has identified Board of directors and Group CEO as its CODM who reviews and allocates resources based on Omni business and Omni channel strategy, which in the terms of Ind AS 108 on 'Operating Segments' constitutes a single reporting segment.

The information based on geographical areas in relation to revenue and non-current assets are as follows:

(a) Revenue from operations

Geography	For the year ended 31 March 2021	For the year ended 31 March 2020
Within India	2,44,014.63	1,76,484.75
Outside India	74.86	268.61

(b) Non-current operating assets

All non-current assets of the Company are located in India.

(c) The Company does not have revenue from transactions with a single external customer amount to 10 percent or more of the total revenue.

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42 Capital management

The Group aims to manages its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to its shareholders.

For the purpose of the Group's capital management, capital includes issued equity capital, convertible preference shares, securities premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The capital structure of the Group is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Group consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Group will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 31 March 2020.

The net gearing ratio at end of the reporting period was as follows.

		As at 31 March 2021	As at 31 March 2020
Gross debt (including current maturities)		18,746.53	26,754.80
Less: Cash and cash equivalents		(8,358.20)	(10,119.11)
Net debt	(A)	10,388.33	16,635.69
Equity	(B)	48,956.91	32,219.83
Preference share capital	(C)	32.74	20.63
Total Equity	B+C	48,989.65	32,240.46
Net gearing ratio	(A)/(B+C)	0.21	0.52

43 Financial risk management objectives and policies

The Group's principal financial liabilities comprises loan from bank, working capital loan, trade and other payables . The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

A Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly comprises currency risk, product price risk and interest rate risk

A.1 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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities denominated in foreign currency and thus the risk of changes in foreign exchange rates relates primarily to trade payables. Since the Group's overall foreign currency exposure is not significant, the Group does not hedge its foreign currency payables.

Foreign currency sensitivity

Since the business of the Group doesn't involves material foreign currency transactions, its exposure to foreign currency changes is not material.

A.2 Product price risk

In a potentially inflationary economy, the Group expects periodical price increases across its product lines. Product price increases which are not in line with the levels of customers' discretionary spends, may affect the business/ sales volumes. In such a scenario, the risk is managed by offering judicious product discounts to customers to sustain volumes. The Group negotiates with its vendors for purchase price rebates such that the rebates substantially absorb the product discounts offered to the customers. This helps the Group to protect itself from significant product margin losses. This mechanism also works in case of a downturn in the retail sector, although overall volumes would get affected.

A.3 Interest rate risk

The Group is exposed to interest rate risk primarily due to borrowings having floating interest rates. The Group uses available working capital limits for availing short-term working capital demand loans with interest rates negotiated from time to time so that the Group has an effective mix of fixed and variable rate borrowings. Interest rate sensitivity analysis shows that an increase / decrease of fifty basis points in floating interest rates would result in decrease / increase in the Group's profit/(loss) before tax by approximately INR 92.90 lakhs (31 March, 2020: INR 123.68 lakhs).

B Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables)

Trade receivables

The Group's retail business is predominantly on cash on delivery and prepaid, accordingly the credit risk on such collections is minimal. The Group has adopted a policy of dealing with only credit worthy counterparties in case of institutional customers and the credit risk exposure for institutional customers is managed by the Group by credit worthiness checks.
The Group's experience of delinquencies and customer disputes have been minimal. Further, Trade and other receivables consist of a large number of customers, across geographies, hence, the Group is not exposed to concentration risks. Also the Group have a simplified approach to determine impairment loss allowance on the portfolio of trade receivables. This is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. Accordingly the credit risk is cover by the Group.

(Refer accounting policy 2(h) for expected credit loss on trade receivable).

Trade Receivables (Ageing)	As at 31 March 2021			As at 31 March 2020		
	Gross	Allowance	Net	Gross	Allowance	Net
Less than 180 days	7,663.46	1.53	7,661.93	9,843.32	1.97	9,841.35
More than 180 days	695.75	694.22	1.53	29.02	27.05	1.97
Total	8,359.21	695.75	7,663.46	9,872.34	29.02	9,843.32

Movement in allowances for expected credit loss:

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance	29.02	25.54
Provision made during the year	666.73	3.48
Provision written off during the year	-	-
Closing balance	695.75	29.02

Security Deposits

The Group also carries credit risk on lease deposits with landlords for properties taken on leases, for which agreements are signed and property possessions are taken for operations. The risk relating to refunds after vacating the premises is managed through successful negotiations or appropriate legal actions, where necessary.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

C Liquidity risk

Liquidity risk is a risk that the Group may not be able to meet its financial obligations on a timely basis through its cash and cash equivalents, and funds available by way of committed credit facilities from banks. Management manages the liquidity risk by monitoring rolling cash flow forecasts and maturity profiles of financial assets and liabilities. This monitoring includes financial ratios and takes into account the accessibility of cash and cash equivalents and additional undrawn financing facilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Particulars	As at 31 March 2021			As at 31 March 2020		
	< 1 year	1 to 5 years	Total	< 1 year	1 to 5 years	Total
Borrowings (including current maturities)	18,580.53	199.79	18,780.32	26,739.85	14.95	26,754.80
Trade payables	31,621.14	-	31,621.14	31,341.15	-	31,341.15
Other financial liabilities	8,501.34	-	8,501.34	4,697.99	-	4,697.99
Lease liabilities	5,152.20	12,830.52	17,982.72	5,578.93	19,099.01	24,677.94
Total	63,855.21	13,030.31	76,885.52	68,357.92	19,113.96	87,471.88

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44 Employee Share Based Payment

The Company has granted stock options under the employee stock option scheme- ESOS 2012 and ESOS 2017 respectively, as approved by the Board of Directors of the company, to the eligible employees of the Company or its subsidiaries. These options would vest in 3 or 4 equal annual installments from the date of grant based on the vesting conditions as per letter of grant executed between the Company and the employee of the Company or its subsidiaries. The maximum period for exercise of options is 4 years from the date of vesting. Each option when exercised would be converted into one fully paid-up equity share of Rs. 10 each of the Company. The options granted under ESOS 2012 and ESOS 2017 scheme carry no rights to dividends and no voting rights till the date of exercise.

The fair value of the share options is estimated at the grant date using Black and Scholes Model, taking into account the terms and conditions upon which the share options were granted.

The Company has recognised an expense of INR 526.03 lakhs (31 March 2020 INR 436.10 lakhs) arising from equity settled share based payment transactions for employee services received during the year. The carrying amount of Employee stock options outstanding reserve as at 31 March 2021 INR 893.69 lakhs (31 March 2020 INR 1,098.33 lakhs).

As at the end of the financial year, details and movements of the outstanding options are as follows:

a *Options granted under ESOS 2012*

	31 March 2021	31 March 2020
Options outstanding at the beginning of the year	3,35,846	4,71,420
Options granted during the year	-	-
Options forfeited during the year	(1,000)	-
Options expired/lapsed during the year	(1,000)	-
Options exercised during the year	(3,16,315)	(1,35,574)
Options outstanding at the end of the year	17,531	3,35,846
Excersisable at the end of the year	17,531	2,50,282
For options outstanding at the end of the year:		
Exercise price range	INR 100 - 650	INR 97.40 - 650
Weighted average remaining contractual life (in years)	2.45	1.74

b *Options granted under ESOS 2017*

	31 March 2021	31 March 2020
Options outstanding at the beginning of the year	1,73,240	1,43,555
Options granted during the year	84,700	37,650
Options forfeited during the year	(17,745)	(1,690)
Options expired/lapsed during the year	(2,110)	(310)
Options exercised during the year	(49,509)	(5,965)
Options outstanding at the end of the year	1,88,576	1,73,240
Excersisable at the end of the year	56,451	59,735
For options outstanding at the end of the year:		
Exercise price range	INR 650 - 6,059.56	INR 650 - 3,862.21
Weighted average remaining contractual life (in years)	4.81	3.54

c **Fair value of options granted**

The fair value of each option is estimated on the date of grant based on the following assumptions:

	ESOS 2012			
	Tranche I	Tranche II	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	1.5	2.5	3.5	4.5
Risk free interest rate (%)	6.32% to 7.95%	6.36% to 8.00%	6.44% to 8.00%	6.41% to 7.92%
Volatility (%)	23.03% to 28.17%	23.16% to 28.24%	23.38% to 27.91%	24.00% to 28.56%
Fair value of shares on date of grant	97.01 - 650.21			
Fair value of options	15.15 - 149.89	22.05 - 187.26	28.49 - 219.11	37.45 - 396.31

	ESOS 2017			
	Tranche I	Tranche II	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	2.67 - 3.22	3.27- 3.80	3.92- 4.26	4.59 - 5.09
Risk free interest rate (%)	6.32% to 7.96%	6.32% to 7.96%	6.43% to 8.01%	6.45% to 8.04%
Volatility (%)	22.76% to 30.67%	22.76% to 29.59 %	24.42% to 29.49%	24.59% to 28.77%
Fair value of shares on date of grant	650.21 - 6,059.56			
Fair value of options	155.42 - 1726.78	175.88 - 1887.16	203.44 - 2017.15	233.56 - 2113.45

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The volatility is based on annualised standard deviation of the continuously compounded rates of return based on the peer companies and competitive stocks over a period of time. The Company has determined the market price on grant date based on latest equity valuation report available with the company preceding the grant date.

The weighted average share price at the date of exercise of options exercised during the year was INR 486.21 (March 31, 2020 INR 385.69)

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V.C. SHAH & CO. CHARTERED ACCOUNTANTS

(All amounts in Rs. lakhs, unless otherwise stated)

d Modification during the year

On April 21, 2020, the company increased the exercise period of stock options under the employee stock option scheme- ESOS 2012 and ESOS 2017 from 3 years to 4 years. The incremental fair value together with the original grant date fair value of the options will be recognised as an expense over the remaining vesting period. The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs:

	ESOS 2012	
	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil
Expected life (years)	2.13 - 2.42	2.05 - 2.70
Risk free interest rate (%)	4.70%	4.70% to 4.88%
Volatility (%)	30.53%	28.94% to 30.53%
Fair value of shares on date of grant	6,059.56	
Incremental fair value of options	7.59 - 13.98	7.63 - 16.34

	ESOS 2017			
	Tranche I	Tranche II	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	2.45 - 3.00	2.19 - 4.00	2.19 - 5.00	3.30 - 6.00
Risk free interest rate (%)	4.70% to 4.88%	4.70% to 5.21%	4.70% to 5.82%	4.88% to 5.91%
Volatility (%)	28.94% to 30.53%	27.90% to 30.53%	27.66% to 30.53%	27.36% to 28.94%
Fair value of shares on date of grant	6,059.56			
Incremental fair value of options	86.21 - 109.93	48.59 - 133.16	13.75 - 157.31	13.54 - 121.59

e Expenses arising from share-based payment transactions

The total expenses arising from share-based payment transactions recognised were as follows:

Particulars	2020-21	2019-20
Stock based compensation expense determined under fair value method recognised in statement of profit or loss	526.03	436.10

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45 Purchase of business

On 28th February 2021, Nykaa Fashions Private Limited has entered into a business transfer agreement (BTA) with the Company "Pipa Bella Accessories Private Limited" to acquire the jewellery business on Slump sale basis. The business transfer involved transfer of certain assets and liabilities as stated in the BTA on a "slump sale basis" for an agreed cash consideration of Rs 190 lakhs.

Pursuant to the above agreements and the necessary resolutions passed by the Board of Directors of the Company, the business stood transferred to the Company on 28th February 2021 and the following assets and liabilities acquired by the company were recorded at values as stated herein under. The values of fixed assets and intangible assets were recorded at fair values as determined by the external registered valuer and the difference between the value of net assets transferred and the aggregate purchase consideration is accounted as Goodwill as under :

Particulars	Amount
Assets:	
Property, Plant and Equipments	6.75
Intangible Assets (Karma Bangle)	150.00
Trade Receivables	13.61
Inventories	62.50
Total assets transferred	**232.86**
Liabilities:	
Trade payables	82.86
Total liabilities transferred	**82.86**
Consideration pursuant to BTA	190.00
Goodwill on Purchases of Jewellery business	40.00

Out of the outstanding of Rs. 190 lakhs, the company has paid Rs. 161.50 lakhs during FY 20-21. The outstanding balance of Rs. 28.50 lakhs is shown as other financial liabilities.

Further, Nykaa Fashions Private Limited has purchased interest in the Trademarks, Domain Name, Copyrights and Design of "Pipa Bella" for the consideration of Rs.344.44 lakhs from Parent company of Pipa Bella which has been shown under 'Trademark' in Note 5 of intangible assets.

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(All amounts in Rs. lakhs, unless otherwise stated)

46 Statement Of Net Assets And Profit Or Loss Attributable To Owners And Non-controlling Interest

Name of the entity	Country of Incorporation	% of voting power as at 31 March 2021	% of voting power as at 31 March 2020	Net Assets i.e., total assets - total liabilities (As % of consolidated Net Assets)		Share in Profit & loss (As % of consolidated Profit & Loss)		Share in Other Comprehensive Income (As % of consolidated Other Comprehensive Income)		Share in Total Comprehensive Income (As % of consolidated Total Comprehensive Income)	
FSN E-Commerce Ventures Private Limited	India			95.11%	46,672.43	24.66%	1,520.12	93.35%	-203.51	22.14%	1,316.61
Subsidiaries (held directly)											
Nykaa E Retail Private Limited	India	100%	100%	23.99%	11,770.29	148.04%	9,126.15	-0.96%	2.10	153.50%	9,128.25
FSN Brands Marketing Private Limited	India	100%	100%	-12.12%	-5,947.53	-34.24%	-2,110.68	1.26%	-2.75	-35.54%	-2,113.43
Nykaa Fashion Private Limited	India	100%	100%	-7.50%	-3,680.19	-38.58%	-2,378.45	6.31%	-13.76	-40.23%	-2,392.21
Nykaa KK Beauty Private Limited	India	51%	51%	0.39%	190.19	0.16%	10.01	0.06%	-0.14	0.17%	9.87
FSN International Private Limited	India	100%	100%	-0.03%	-15.55	-0.19%	-12.00	0.00%	-	-0.20%	-12.00
				100%	48,989.65	100%	6,155.16	100%	-218.06	100%	5,937.10
Non-controlling Interests	India	49%	49%	0.17%	83.41	0.16%	9.61	0.02%	0.05	0.16%	9.66

47 Expenditure towards corporate social responsibility (CSR) activities

The Group spent on a consolidated basis Rs. 22.79 lakhs for the FY 20-21 (Rs. 5.44 lakhs for the FY 19-20), towards various schemes of Corporate Social Responsibility (CSR) as prescribed under Section 135 of the Companies Act, 2013. No amount has been spent on construction / acquisition of an asset of the Group. The prescribed CSR expenditure required to be spent in the FY 2020-21 as per the Companies Act, 2013 is Rs. 7.64 lakhs (Rs. Nil for the FY 19-20).

48 Social Security Code

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

49 Impact of Covid 19

The Group has taken into account all the possible impacts of COVID-19 in preparation of these consolidated financial statements, including but not limited to its assessment of, liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenue recognition and impact on leases. The Group has carried out this assessment based on available internal and external sources of information upto the date of approval of these consolidated financial statements and believes that the impact of COVID-19 is not material to these financial statements and expects to recover the carrying amount of its assets. The impact of COVID-19 on the consolidated financial statements may differ from that estimated as at the date of approval of these consolidated financial statements owing to the nature and duration of COVID-19. The Group will continue to closely monitor any material changes to future economic conditions.

50 Previous years figures have been regrouped and reclassed wherever required to conform those of current period.

As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W

A N Shah
Partner
Membership No: 42649

V. C. SHAH & CO. CHARTERED ACCOUNTANTS

As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230

Place: Mumbai
Date: 08 June 2021

S. R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

For and on behalf of Board of Directors of
FSN E-Commerce Ventures Private Limited

Falguni Nayar

Falguni Nayar
Managing Director & CEO
DIN No. 00003633

Milan Khakhar
Director
DIN No. 00394065

Arvind Agarwal
Chief Financial Officer

Rajendra Punde
Company Secretary
ACS M.No.A9785