

Nykaa E-Retail Private Limited
- Financial Statements as on 31st March, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Nykaa E-Retail Private Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Nykaa E-Retail Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity, for the year then ended, and notes to the 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 financial statements give the information required by the Companies Act, 2013 as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the 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 (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



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

Responsibilities of Management for the 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 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 Ind AS specified under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 financial 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 system in place and the operating effectiveness of such controls.

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

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

Report on Other Legal and Regulatory Requirements

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 Companies Act, 2013, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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 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 financial statements comply with the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B", to this report.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations provided to us:
- The Company does not have any pending litigations which would impact its financial position.
 - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.



Place: Mumbai
Date: 19-Aug-2020

For V.C. Shah & Co.
Chartered Accountants
Firm Registration No. 109818W

A. N. Shah

A. N. Shah
Partner
Membership No. 42649
UDIN: 20042649AABNH06459

“ANNEXURE A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in 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) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, periodicity of physical verification is reasonable having regards to the size of the company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year. According to the information and explanations provided to us, 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 inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations provided to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Hence, clause (iii), (iii)(a), (iii)(b), (iii)(c) of paragraph 3 of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations provided to us, the Company has not granted any loans or made any investments or provided any guarantees, and security covered under section 185 and 186 of the Companies Act, 2013. Hence, clause (iv) of paragraph 3 of the Order is not applicable.
- (v) In our opinion and according to the information and explanations provided to us, the Company has not accepted any deposits from the public during the year. Hence, clause (v) of paragraph 3 of the Order is not applicable.
- (vi) We are informed that the Central Government has not prescribed maintenance of cost records under sub-section (1) of Section 148 of the Companies Act, 2013 in respect of the activities carried on by the Company. Hence, clause (vi) of paragraph 3 of the Order is not applicable.
- (vii) According to the information and explanations provided to us, in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise, Value Added Tax, cess, Goods & Services Tax and other material statutory dues applicable to it with the appropriate authorities.



There were no undisputed amounts payable in respect of Income Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise, Value Added Tax, cess, Goods & Services Tax and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations provided to us, there are no dues of Income-tax or Sales tax or Service tax or Goods and Services tax or duty of Customs or duty of Excise or Value added tax which have not been deposited by the Company on account of disputes
- (viii) Based on our audit procedures and according to the information and explanations provided by the Management, the Company has not defaulted in repayment of loans or borrowing to bank. The Company did not have any outstanding dues in respect of a financial institution, government or debenture holders during the year.
- (ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instrument) or term loans. Hence, Clause (ix) of Paragraph 3 of the order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations provided to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) The Company is a Private Limited Company as per the Act. The requirement of payment of managerial remuneration as per the provisions of section 197 read with Schedule V of the Act is not applicable. Hence, clause (xi) of paragraph 3 of the Order is not applicable.
- (xii) The Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations provided to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 as applicable and the details have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) In our opinion and according to the information and explanations provided to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its Directors and hence provisions of Section 192 of the Act are not applicable.



(xvi) In our opinion and according to the information and explanations provided to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Hence, clause (xvi) of paragraph 3 of the Order is not applicable.



Place: Mumbai
Date: 19-Aug-2020

For V.C. Shah & Co.
Chartered Accountants
Firm Registration No. 109818W

A. N. Shah

A. N. Shah
Partner
Membership No. 42649
UDIN: 20042649AABNH06459

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT

(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 Over Financial Reporting under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of **Nykaa E-Retail Private Limited** ('the Company') as of March 31, 2020 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls and, both 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 the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting 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 system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting 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

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting 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 system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financials Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: Mumbai
Date: 19-Aug-2020



For V.C. Shah & Co.
Chartered Accountants
Firm Registration No. 109818W

A. N. Shah

A. N. Shah
Partner
Membership No. 42649
UDIN: 20042649AABNHO6459

Nykaa E-Retail Private Limited
Balance sheet as at 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	Notes	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Assets				
Non-current assets				
Property, plant and equipment	4A	2,982.97	2,144.83	923.42
Right of use assets	4B	3,953.71	3,042.06	1,011.75
Intangible assets	5	1,156.75	1,180.56	1,102.03
Capital work in progress		56.85	-	-
Financial asset				
Others	6	36.08	8.14	6.10
Deferred tax assets (net)	7	155.20	514.51	563.18
Other non-current assets	8	1,281.40	2,677.24	2,098.42
Total non-current assets		9,622.96	9,567.34	5,704.90
Current assets				
Inventories	9	29,938.97	18,682.36	9,463.64
Financial assets				
Trade receivables	10	11,505.40	10,035.87	6,752.88
Cash and cash equivalents	11	521.94	534.23	149.44
Bank balance other than cash and cash equivalents above	12	43.81	35.47	22.82
Others	13	440.90	296.15	50.34
Other current assets	14	4,928.28	1,162.08	874.01
Total current assets		47,379.30	30,746.16	17,313.13
Total assets		57,002.26	40,313.50	23,018.03
Equity and liabilities				
Equity				
Equity share capital	15	951.00	951.00	951.00
Other equity	16	801.81	(1,788.42)	(1,844.34)
Total equity		1,752.81	(837.42)	(893.34)
Non-current liabilities				
Financial liabilities				
Borrowings	17	755.70	936.49	977.72
Lease liabilities	19	3,785.91	3,058.24	1,013.83
Provisions	21	331.98	158.68	83.94
Total non-current liabilities		4,873.59	4,153.41	2,075.49
Current liabilities:				
Financial liabilities				
Borrowings	18	19,039.32	17,822.13	6,791.92
Trade payables				
Total outstanding dues of Micro enterprise and small enterprise	22	798.27	80.14	76.17
Total outstanding dues of creditors other than Micro enterprises and small enterprises		26,596.33	16,441.47	13,816.23
Current maturity of lease liabilities	20	587.30	46.73	-
Lease liabilities	23	1,370.59	1,048.85	551.99
Provisions	21	4.04	2.37	1.24
Other current liabilities	24	1,980.01	1,555.82	598.33
Total current liabilities		50,375.86	36,997.51	21,835.88
Total liabilities		55,249.45	41,150.92	23,911.37
Total equity and liabilities		57,002.26	40,313.50	23,018.03

Significant accounting policies 3
Notes 4 to 47 form an integral part of these financial statements

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

A. N. Shah

A. N. Shah
Partner
Membership No: 42649



For and on behalf of Board of Directors of
Nykaa E-Retail Private Limited

Anchit Nayar
Anchit Nayar
Director
DIN No 08351358

Adwaita Nayar
Adwaita Nayar
Director
DIN No 07931382

Falguni Nayar

Falguni Nayar
Chief Executive Officer


Pratik Bhujade
Pratik Bhujade
Company Secretary
ACS M.No. A38175

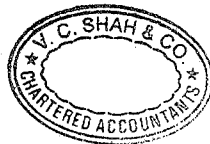
Place: Mumbai
Date: 19 August, 2020

Nykaa E-Retail Private Limited
Statement of Profit and Loss for the year ended 31st March, 2020
(All amounts in Rs. lakhs, unless otherwise stated)


	Notes	Year ended 31 March, 2020	Year ended 31 March, 2019
INCOME			
Revenue from operations	25	1,66,826.06	1,07,714.14
Other income	26	150.16	52.73
TOTAL INCOME		1,66,976.22	1,07,766.87
EXPENSES			
Purchase of traded goods	27	1,20,005.96	79,726.55
(Increase)/decrease in inventories of traded goods	28	(11,023.42)	(9,144.24)
Employee benefits expense	29	12,588.39	8,352.49
Depreciation and amortization expense	30	3,036.43	1,956.64
Finance costs	31	3,301.46	2,526.62
Administrative and Other expenses	32	36,375.59	24,925.97
TOTAL EXPENSES		1,64,284.41	1,08,344.03
Profit / (Loss) before tax		2,691.81	(577.16)
Tax expense / (benefit) :			
Current tax		583.19	-
Deferred tax		363.83	47.32
Tax expense relating to earlier years		-	-
Profit / (Loss) after tax		1,744.79	(624.48)
Other Comprehensive Income			
A. Items that will not be reclassified to profit or loss			
Remeasurement gain/(losses) on defined benefits plans		(17.96)	4.34
Income tax effect on above		4.52	(1.35)
Items that will not be reclassified to profit or loss, net of tax		(13.44)	2.99
B. Items that will be reclassified to profit or loss			
Nature of item			
Income tax effect on above		-	-
Items that will be reclassified to profit or loss, net of tax		-	-
Total Comprehensive Income for the year		1,731.35	(621.49)
Earnings per share			
Basic earnings per share (INR)	37	18.35	(6.57)
Diluted earnings per share (INR)	37	18.35	(6.57)
Significant accounting policies	3		
Notes 4 to 47 form an integral part of these financials statements			


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



A. N. Shah
Partner
Membership No: 42649




For and on behalf of Board of Directors of
Nykaa E-Retail Private Limited


Anchit Nayar
Director
DIN No 08351358


Adwaita Nayar
Director
DIN No 07931382


Falguni Nayar
Chief Executive Officer


Pratik Bhujade
Company Secretary
ACS M.No. A38175

Place: Mumbai
Date: 19 August, 2020

Nykaa E-Retail Private Limited
Statement of Cash Flows for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	<u>31 March 2020</u>	<u>31 March 2019</u>
Operating activities		
Net profit / (loss) before exceptional items and tax	2,691.81	(577.16)
<i>Adjustments to reconcile profit / (loss) before tax to net cash flows:</i>		
Add: Depreciation and amortisation expense	3,036.43	1,956.64
Add: Interest expense	2,315.89	1,971.94
Add: Provision for Gratuity	157.01	80.21
Add: Provision for Bonus	185.00	152.80
Add: Provision for Expected credit loss	2.94	6.58
Less: Interest received	(2.60)	(3.09)
Less: Sundry balance written back	(0.04)	(18.70)
Less: Unrealised (Gain)/Loss on Foreign Exchange fluctuations (net)	21.92	(4.82)
Operating profit before working capital changes	8,408.37	3,564.40
<i>Adjustments for changes in working capital:</i>		
(Increase)/decrease in Trade receivables	(1,472.47)	(3,289.57)
(Increase)/decrease in Inventories	(11,256.61)	(9,218.72)
(Increase)/decrease in Loans	311.59	(1,046.95)
(Increase)/decrease in Other Current Assets	(2,661.84)	(32.72)
Increase / (decrease) in Trade payables	10,910.01	1,555.48
Increase / (decrease) in Non-Current Provisions	(1.63)	(1.11)
Increase / (decrease) in Other financial liabilities	13.42	1,535.97
Increase / (decrease) in Current Provisions	(33.45)	504.71
Cash generated from / (used) in operations	4,217.38	(6,428.50)
Refund/(Payment) of direct taxes (net)	(404.08)	-
Net cash flow from / (used in) operating activities	3,813.30	(6,428.50)
Investing activities		
Increase / (decrease) in Creditor for capital goods	(154.99)	220.60
Purchases of Property, Plant & Equipment and Intangible assets (including capital-work in progress and net of sales)	(2,368.00)	(2,310.71)
Interest received	2.60	3.09
Net cash flows from / (used in) investing activities	(2,520.39)	(2,087.02)

Nykaa E-Retail Private Limited
Statement of Cash Flows for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	31 March 2020	31 March 2019
Financing activities		
Investment in Bank Deposits	(8.34)	(13.65)
Redemption/maturity of Bank Deposits	-	1.00
Increase / (decrease) in Non-current Borrowings	(219.45)	(145.31)
Interest Expense	(2,294.59)	(1,971.94)
Net cash flows from / (used in) financing activities	(2,522.39)	(2,129.90)
Net increase / (decrease) in cash and cash equivalents	(1,229.48)	(10,645.42)
Cash and cash equivalents at the beginning of the year	(17,287.90)	(6,642.48)
Add: Exchange (Gain)/Loss on Foreign Exchange fluctuations (net)	-	-
Cash and cash equivalents at the year end	(18,517.38)	(17,287.90)

Note:

1 Component of cash and cash equivalents		
Cash and cash equivalents (refer note 11)	521.94	534.23
Add: Bank overdraft/cash credit (refer note 18)	(19,039.32)	(17,822.13)
Total cash and cash equivalents	(18,517.38)	(17,287.90)

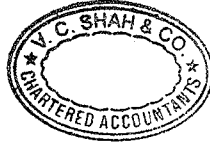
2 The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS) 7 Statement of Cash flow

Notes 4 to 47 form an integral part of these financials statements

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

A. N. Shah

A. N. Shah
Partner
Membership No: 42649



For and on behalf of Board of Directors of
Nykaa E-Retail Private Limited

Anchit Nayar
Anchit Nayar
Director
DIN No 08351358

Adwaita Nayar
Adwaita Nayar
Director
DIN No 07931382

Falguni Nayar
Falguni Nayar
Chief Executive Officer

Pratik Bhujade
Pratik Bhujade
Company Secretary
ACS M.No. A38175

Place: Mumbai
Date: 19 August, 2020

Nykaa E-Retail Private Limited
Statement of Changes in Equity for the year ended 31 March 2020
(All amounts in Rs. lakhs, unless otherwise stated)

a. Equity Share Capital:

Equity shares of INR 10 each issued, subscribed and fully paid

At 1 April 2018

Changes in equity share capital during 2018-19

At 31 March 2019

Changes in equity share capital during 2019-20

At 31 March 2020

	No. of shares	Amount
At 1 April 2018	95,10,000	951
Changes in equity share capital during 2018-19	-	-
At 31 March 2019	95,10,000	951
Changes in equity share capital during 2019-20	-	-
At 31 March 2020	95,10,000	951

b. Other Equity:

For the year ended 31 March 2020

Particulars	Capital contribution from Parent	Reserves & Surplus		Other comprehensive income (OCI)	Total other equity
		Surplus/(Deficit) in statement of profit and loss	Capital reserve		
As at 1 April 2019	1,186.11	(3,145.36)	173.68	(2.85)	(1,788.42)
Net Profit / (Loss) for the year	-	1,744.79	-	-	1,744.79
Other comprehensive income	-	-	-	(13.44)	(13.44)
Total comprehensive income	1,186.11	(1,400.56)	173.68	(16.29)	(57.07)
Addition during the year	858.88	-	-	-	858.88
As at 31 March 2020	2,044.99	(1,400.56)	173.68	(16.29)	801.81

For the year ended 31 March 2019

Particulars	Capital contribution from Parent	Reserves & Surplus		Other comprehensive income (OCI)	Total other equity
		Surplus/(Deficit) in statement of profit and loss	Capital reserve		
As at 1 April 2018	508.70	(2,520.88)	173.68	(5.84)	(1,844.34)
Net Profit for the period	-	(624.48)	-	-	(624.48)
Other comprehensive income	-	-	-	2.99	2.99
Total comprehensive income	508.70	(3,145.36)	173.68	(2.85)	(2,465.83)
Addition during the year	677.41	-	-	-	677.41
As at 31 March 2019	1,186.11	(3,145.36)	173.68	(2.85)	(1,788.42)

Significant accounting policies

Notes 4 to 47 form an integral part of these financials statements

As per our report attached

For V. C. Shah & Co.

Chartered Accountants

Firm Registration No: 109818W

A. N. Shah

A. N. Shah

Partner

Membership No: 42649



For and on behalf of Board of Directors of
Nykaa E-Retail Private Limited

Anchit Nayar *Adwaita Nayar*

Anchit Nayar

Director

DIN No 08351358

Adwaita Nayar

Director

DIN No 07931382

Falguni Nayar

Falguni Nayar

Chief Executive Officer

Pratik Bhujade

Pratik Bhujade

Company Secretary
ACS M.No. A38175

Place: Mumbai

Date: 19 August, 2020

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

1. Corporate Information

Nykaa E-retail Private Limited (the 'Company') is a private limited Company incorporated and domiciled in India. The Company is a wholly owned subsidiary of FSN E-Commerce Ventures Private Limited. The registered office of the Company is located at 104, Vasan Udyog Bhavan Senapati Bapat Marg, Lower Parel, Mumbai - 400013.

The Company is engaged in the business of selling beauty, hygiene and wellness products through online channels i.e. Company's platforms and other online applications and through offline channels i.e. stores, stalls etc.

The financial statements for the year ended 31 March 2020 were approved by the Board of Directors and authorised for issue on 19 August, 2020.

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

2. Basis of preparation

i) Compliance with Ind AS:

Ministry of Corporate Affairs notified roadmap to implement Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time), in India. As per the said roadmap, the Company is required to apply Ind AS starting from financial year beginning on or after 1st April 2019. Accordingly, the financial statements of the Company have been prepared in accordance with the Ind AS and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable.

For all periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended 31 March are the first financials that the Company has prepared in accordance with Ind AS. Refer to note 44 for information on how the Company adopted Ind AS.

ii) Historical cost conversion:

The financial statements have been prepared on a historical cost basis, except for defined benefits plans – plan assets and certain financial assets and liabilities (refer accounting policy regarding financial instruments) which have been measured at fair value or revalued amount.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

3. Summary of significant accounting policies:

a) Business combinations and goodwill

In accordance with Ind AS 101 provisions related to first time adoption, the company has elected to apply Ind AS accounting for business combinations prospectively from 1 April 2018. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward.

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 acquire. 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.

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.

b) 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 realized in normal operating cycle or 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 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.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

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 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.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2018 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

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.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year and adjusted prospectively, if appropriate.

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.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

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.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Amortization of intangible assets:

Intangible assets are amortized using straight line method over the useful lives as under:

Intangible asset	Useful lives (in years)
Catalogue	3
Web portal development	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:

- ▶ 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.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as at 1 April 2018 measured as per the previous GAAP and use that carrying value as the deemed cost of the intangible assets.

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.

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.

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.

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.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on FIFO 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.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

g) Leases

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

Company as a lessee:

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

i. Right-of-use assets (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

- Right of use for Properties 2 to 6 years

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 on 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.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

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.

Company as a lessor

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

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Sub-lease

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

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;
- 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

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

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.

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.

I. Initial recognition and measurement:

All financial assets and liabilities are recognised at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities that are not at fair value through profit or loss are added to the fair value on initial recognition.

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 through profit or loss

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and contractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 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

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

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.

III. Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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.

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) Other financial assets such as deposits, advances etc.

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.

Trade receivables are written off when there is no reasonable expectation of recovery

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.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

i) 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 goods:

Revenue is recognised upon transfer of control of promised goods to customer in an amount that reflects the consideration which the Company expects to receive in exchange for goods. Revenue from the sale of goods is recognised at the point in time when control is transferred 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.

Contracts where the Company's obligation is to arrange for the provision of goods and services by another party, the Company 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.

ii. Rendering of services:

Income from services are recognised as and when the services are rendered. The Company recognizes marketing income i.e. visibility services provided by the Company to various brands at online / offline platforms. Revenue from advertisement services is recognised when advertisement is displayed.

iii. Reward points programme

The Company 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 Company considers the likelihood that the customer will redeem the points. The Company 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.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

iv. Contract balances:

- **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods 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 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.

j) Provisions

A provision is recognised when the Company has a present obligation as a result of past event, 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.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

k) Foreign currency transactions

I. 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.

II. 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.

l) Share based payments

Certain employees of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments of FSN E-Commerce Ventures Private Limited (the Holding Company). These shares vest equally over a period of 3 – 4 years. The Company does not have an obligation to settle the transaction with its employees. Therefore, the Company accounts for the transaction with its employees as equity settled and recognizes a corresponding increase in equity as contribution from parent.

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 contribution by parent 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.

Refer note 43 for first time Ind AS adjustment made as per requirement of Ind AS 101.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

m) Retirement and other employee benefits

I. 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.

II. Retirement 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 liability, a defined benefit obligation 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 or asset. 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 and the return on plan assets, 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.

n) 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.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

o) 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. 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.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

p) 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 Company 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).

q) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, 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.

r) 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 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.

A contingent asset is disclosed, where an inflow of economic benefits is probable.

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

s) Earnings per share

Basic earnings per share are calculated 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.

t) Segment reporting policies

Ind AS 108 establishes standards, for the way that business enterprises report information about operating segments and related disclosures about products, services and geographic areas, and major customers.

The Company is primarily engaged in the business of retail trade through online channels which in the terms of Ind AS 108 on 'Operating Segments', constitutes a single reporting segment. The Management assesses the financial performance and position of the company as a whole and makes strategic decisions.

Nykaa E-retail Private Limited
Notes to Standalone Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

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.

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.

The Company has several lease contracts that include extension and termination options. The Company 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 Company 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 Company typically exercises its option to renew for these leases because there will be a significant negative effect on business if a replacement 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.

Nykaa E-retail Private Limited
Notes to Standalone Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

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.

c. Estimation of defined benefit obligation

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. 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. Taxes

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.

e. 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.

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.

Nykaa E-retail Private Limited
Notes to Standalone Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

f. Provision

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.

g. 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 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.

h. Reward Points:

The company 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 Company considers breakage which represents the portion of the points issued that will never be redeemed. The Company 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 Company considers the mix of products that will be available in the future in exchange for reward points and customers' preferences. The Company 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).

i. Provision for expected credit losses of trade receivables and contract assets:

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. 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 also not be representative of customer's actual default in the future.

Nykaa E-retail Private Limited
Notes to Standalone Financial Statements as at and for the year ended 31 March, 2020
Amounts in Indian Rupees

j. Leases – Estimating the incremental borrowing rates:

The Company 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).

3B. Standard / Amendments issued:

- a. With effect from 1st April 2019, Ind AS 116 – “Leases” (Ind AS 116) supersedes Ind AS 17 – “Leases”. The Company has adopted Ind AS 116 using the modified retrospective approach. The application of Ind AS 116 has resulted into recognition of ‘Right-of-Use’ asset with a corresponding Lease Liability in the Balance Sheet.
- b. Application of the others amendment during the year did not have any impact on the standalone financial statements of the Company.
- c. The Company has applied IND AS 115 for the first time with effect from 1st April, 2018. IND AS 115 supersedes IND AS 18 Revenues and it applies, with limited exceptions to all revenues arising from contracts with customers. IND AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised 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.

IND AS 115 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Nykaa E-Retail Private Limited

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

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

4A Property, plant and equipment

	Computers	Furniture & Fixtures	Office equipments	Leasehold improvements	Total
Cost					
At 1 April 2018	399.61	434.52	269.50	181.25	1,284.88
Additions	446.42	601.41	403.62	107.31	1,558.76
Disposals/transfers	-	-	-	-	-
At 31 March 2019	846.03	1,035.93	673.12	288.56	2,843.64
Additions	610.14	475.86	303.34	106.59	1,495.93
Disposals/transfers	-	-	(3.81)	-	(3.81)
At 31 March 2020	1,456.17	1,511.79	972.65	395.15	4,335.76
Depreciation and Impairment					
At 1 April 2018	157.64	48.85	61.74	93.23	361.46
Depreciation charge for the year	167.38	59.71	81.08	29.18	337.35
Disposals	-	-	-	-	-
At 31 March 2019	325.02	108.56	142.82	122.41	698.81
Depreciation charge for the year	335.58	121.77	154.04	44.16	655.55
Disposals	-	-	(1.57)	-	(1.57)
At 31 March 2020	660.60	230.33	295.29	166.57	1,352.79
Net Book Value					
At 31 March 2020	795.57	1,281.46	677.36	228.58	2,982.97
At 31 March 2019	521.01	927.37	530.30	166.15	2,144.83
At 1 April 2018	241.97	385.67	207.76	88.02	923.42

Movable assets have been pledged to secure borrowings of the Company (Refer Note 18)

Nykaa E-Retail Private Limited

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

*(All amounts in Rs. lakhs, unless otherwise stated)***4B Right of use assets**

	<u>Right of Use Assets</u>	<u>Total</u>
Cost		
At 1 April 2018	1,011.75	1,011.75
Additions	2,976.18	2,976.18
Disposals/transfers	-	-
At 31 March 2019	<u>3,987.93</u>	<u>3,987.93</u>
Additions	2,451.25	2,451.25
Disposals/transfers	-	-
At 31 March 2020	<u>6,439.18</u>	<u>6,439.18</u>
Depreciation and Impairment		
At 1 April 2018	-	-
Depreciation charge for the year	945.87	945.87
Disposals	-	-
At 31 March 2019	<u>945.87</u>	<u>945.87</u>
Depreciation charge for the year	1,539.60	1,539.60
Disposals	-	-
At 31 March 2020	<u>2,485.47</u>	<u>2,485.47</u>
Net Book Value		
At 31 March 2020	<u>3,953.71</u>	<u>3,953.71</u>
At 31 March 2019	<u>3,042.06</u>	<u>3,042.06</u>
At 1 April 2018	<u>1,011.75</u>	<u>1,011.75</u>

Nykaa E-Retail Private Limited

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

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

5 Intangible assets

	Catalogue	Web portal Development	Softwares	Total
Cost				
At 1 April 2018	434.92	1262.40	63.34	1760.66
Additions	105.22	604.43	42.30	751.95
Disposals/transfers	-	-	-	-
At 31 March 2019	540.14	1866.83	105.64	2512.61
Additions	22.25	778.75	16.47	817.47
Disposals/transfers	-	-	-	-
At 31 March 2020	562.39	2,645.58	122.11	3,330.08
Depreciation and Impairment				
At 1 April 2018	179.86	458.17	20.60	658.63
Depreciation charge for the year	158.52	486.41	28.49	673.42
Disposals	-	-	-	-
At 31 March 2019	338.38	944.58	49.09	1,332.05
Depreciation charge for the year	144.64	663.96	32.68	841.28
Disposals	-	-	-	-
At 31 March 2020	483.02	1,608.54	81.77	2,173.33
Net Book Value				
At 31 March 2020	79.37	1,037.04	40.34	1,156.75
At 31 March 2019	201.76	922.25	56.55	1,180.56
At 1 April 2018	255.06	804.23	42.74	1,102.03

Nykaa E-Retail Private Limited

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

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

6 Others

	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>	<u>At 1 April 2018</u>
Security deposits (unsecured, considered good)	36.08	8.14	6.10
	<u>36.08</u>	<u>8.14</u>	<u>6.10</u>

7 Income Taxes

The major components of income tax expense for the years ended 31 March 2020 and 31 March 2019 are:

A Statement of profit and loss:

	<u>For the year ended 31 March 2020</u>	<u>For the year ended 31 March 2019</u>
i. Profit or loss section:		
Current income tax:		
Current income tax charge	583.19	-
Adjustments in respect of current income tax of previous year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	363.83	47.32
Income tax expense/(income) reported in the statement of profit or loss	<u>947.01</u>	<u>47.32</u>
ii. OCI section - Deferred tax related to items recognised in OCI during in the year:		
Tax Expenses/(Income) on remeasurements of defined benefit plans	(4.52)	1.35
Income tax expense charged/(credited) to OCI	<u>(4.52)</u>	<u>1.35</u>

B Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2020 and 31 March 2019:

	<u>For the year ended 31 March 2020</u>	<u>For the year ended 31 March 2019</u>
Profit before tax	2,691.81	(577.16)
Applicable tax rate	25.17%	31.20%
Tax using the Company's domestic tax rate	677.53	-
Effect of:		
Add: Adjustments in respect of current income tax of previous year	-	-
Depreciation as per Income tax losses not allowable to be carried forward	-	-
Effective tax rate	<u>677.53</u>	<u>-</u>

Nykaa E-Retail Private Limited

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

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

C Deferred tax:

i. Deferred tax assets and liabilities are attributable to the following

Particulars	At 31 March 2020	At 31 March 2019	At 1 April 2018
Impact of difference between tax depreciation and depreciation as per books	45.62	-	-
Provision of doubtful receivables	5.80	6.27	4.22
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	209.85	168.80	101.38
Impact of difference in liabilities as per books and tax	952.93	954.17	316.31
Impact of brought forward losses	-	363.22	537.56
Deferred tax assets (A)	1,214.20	1,492.46	959.47
Impact of difference between tax depreciation and depreciation as per books	-	23.01	74.81
Impact of difference in assets as per books and tax	1,059.00	954.94	321.48
Others	-	-	-
Deferred tax liabilities (B)	1,059.00	977.95	396.29
Deferred tax liabilities (C=A-B)	155.20	514.51	563.18

The Company elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised Provision for Income Tax and re-measured its Deferred tax assets/liabilities basis the rate prescribed in the said section. The impact of this change has been recognised during the current financial year

ii. Reconciliation of deferred tax assets (net):

	At 31 March 2020	At 31 March 2019
Opening balance as of 1 April	514.51	563.18
Tax income/(expense) during the period recognised in profit or loss	(363.83)	(47.32)
Tax income/(expense) during the period recognised in OCI	4.52	(1.35)
Closing balance as at 31 March	155.20	514.51

8 Other non-current assets

	At 31 March 2020	At 31 March 2019	At 1 April 2018
Balance with statutory / government authorities	1,281.40	2,677.24	2,098.42
	1,281.40	2,677.24	2,098.42

9 Inventories

(Valued at lower of cost and net realisable value)	At 31 March 2020	At 31 March 2019	At 1 April 2018
Stock in trade	27,512.26	17,443.15	9,344.36
Packing material	370.68	137.50	63.01
Goods in transit	2,056.03	1,101.71	56.27
	29,938.97	18,682.36	9,463.64

10 Trade receivables (unsecured)

	At 31 March 2020	At 31 March 2019	At 1 April 2018
Trade receivables - Considered Good - Unsecured	11,528.46	10,055.98	6,766.41
Trade receivables which have significant increase in credit risk	-	-	-
Trade receivables credit impaired	-	-	-
Less: Provision for expected credit loss	23.06	20.11	13.53
	11,505.40	10,035.87	6,752.88

(For details of trade receivable with related party refer note 36 related party disclosures)

No trade or other 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 30 to 90 days

Nykaa E-Retail Private Limited

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

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

11 Cash and cash equivalents

	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>	<u>At 1 April 2018</u>
Cash on hand	5.23	0.96	3.37
Balances with banks			
- in current accounts	516.71	110.29	146.07
Cheques on hand	-	422.98	-
Deposits with original maturity of less than three months	-	-	-
	<u>521.94</u>	<u>534.23</u>	<u>149.44</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. 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.

12 Bank balance other than cash and cash equivalents

	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>	<u>At 1 April 2018</u>
Deposits with original maturity for more than 3 months but less than 12 months	43.81	35.47	22.82
*(out of the above balances margin money deposit against guarantee is Rs. 35.92 lakhs (Previous year 33.88 lakhs, as on 1 April 2018: 22.82 lakh)			
	<u>43.81</u>	<u>35.47</u>	<u>22.82</u>

13 Others

(measured at amortised cost, except otherwise stated)

	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>	<u>At 1 April 2018</u>
Security Deposits (unsecured)			
Considered Good	440.90	296.15	50.34
Having significant increase in credit risk	-	-	-
Credit impaired	-	-	-
	<u>440.90</u>	<u>296.15</u>	<u>50.34</u>

14 Other current assets

	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>	<u>At 1 April 2018</u>
Advance against expenses (unsecured, considered good)	201.22	41.34	32.42
Advance to suppliers (unsecured, considered good)	3,715.91	809.87	786.07
Advance given to employees (against salary)	10.64	10.55	22.04
Prepaid expenses	746.76	281.67	14.85
Sublease net investments	253.75	18.65	18.63
	<u>4,928.28</u>	<u>1,162.08</u>	<u>874.01</u>

(For details of advance to suppliers and sublease net investment with related party refer note 36 related party disclosures)

Nykaa E-Retail Private Limited

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

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

15 Share Capital

i) Authorised Share Capital

	At 31 March 2020	At 31 March 2019	At 1 April 2018
1,20,00,000 (March 31, 2019: 1,20,00,000, April 1, 2018: 1,20,00,000) equity shares of Rs 10/- each	1,200.00	1,200.00	1,200.00

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.

ii) Issued share capital

	At 31 March 2020	At 31 March 2019	At 1 April 2018
95,10,000 (March 31, 2019: 95,10,000, April 1, 2018: 95,10,000) equity shares of Rs 10/- each	951.00	951.00	951.00

iii) There are no bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date.

iv) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates-

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

	At 31 March 2020	At 31 March 2019	At 1 April 2018
FSN E-Commerce Ventures Private Limited (Holding Company)			
95,10,000 (March 31, 2019: 95,10,000, April 1, 2018: 95,10,000) equity shares of Rs 10/- each	951.00	951.00	951.00

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

Name of the shareholder	As at 31 March 2020		As at 31 March 2019		As at 1 April 2018	
	No. of shares	% holding	No. of shares	% holding	No. of shares	% holding
FSN E-Commerce Ventures Private Limited (Holding Company)	95,10,000	100.00	95,10,000	100.00	95,10,000	100.00

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.

16 Other equity

	At 31 March 2020	At 31 March 2019	At 1 April 2018
a. Retained earnings			
Opening balance	(3,145.36)	(2,520.88)	(2,520.88)
Add: Profit/(Loss) during the year	1,744.79	(624.48)	-
Less: Dividend paid	-	-	-
Closing balance	<u>(1,400.56)</u>	<u>(3,145.36)</u>	<u>(2,520.88)</u>
b. Other comprehensive income			
Opening balance	(2.85)	(5.84)	(5.84)
Add : Additions during the year	(13.44)	2.99	-
Less: Transfer during the year	-	-	-
Closing balance	<u>(16.29)</u>	<u>(2.85)</u>	<u>(5.84)</u>
c. Capital reserve			
Opening balance	173.68	173.68	173.68
Add : Additions during the year	-	-	-
Less: Transfer during the year	-	-	-
Closing balance	<u>173.68</u>	<u>173.68</u>	<u>173.68</u>
d. Capital Contribution from Parent			
Opening balance	1,186.11	508.70	508.70
Add : Additions during the year	858.88	677.41	-
Less: Transfer during the year	-	-	-
Closing balance	<u>2,044.99</u>	<u>1,186.11</u>	<u>508.70</u>

Note :

1) Retained Earnings are the profits that the Company has earned till date, less any dividends or other distributions paid to shareholders.

2) On 31st March 2017, the Company had entered into a business transfer agreement (BTA) with its holding company "FSN Ecommerce Ventures Private Limited" to acquire the E-commerce business on slump sale basis. The difference between the value of net assets transferred and the aggregate purchase consideration was accounted as capital reserve.

3) Contribution from Parent Company consists of:

Share Based Payment: FSN E-Commerce Ventures Private Limited the Holding Company has extended its stock options program to selected employees of its subsidiaries including the Company. The fair value of equity-settled transactions, calculated at the date when the grant is made using an appropriate valuation model and recognized over the period in which the performance and / or service conditions are fulfilled.

Loan from Holding Company: amounts transferred on fair valuation of loans taken from parent

Guarantee from Holding Company: fair value of guarantee given by Holding Company for loans taken from banks

Nykaa E-Retail Private Limited

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

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

17 Borrowings - non-current

	At 31 March 2020	At 31 March 2019	At 1 April 2018
(Carried at amortised cost, except otherwise stated)			
<u>Unsecured loans</u>			
Loan from Holding Company (FSN E-Commerce Ventures Private Limited)	755.70	936.49	977.72
	<u>755.70</u>	<u>936.49</u>	<u>977.72</u>

17.1 Terms of loan from holding company

- a. The above loan carry an interest rate referenced to the government security rate close to the tenor of the loan and mutually agreed spread.
b. Refer note 42 for maturity profile of above loans

18 Borrowings - current

	At 31 March 2020	At 31 March 2019	At 1 April 2018
(Secured - carried at amortized cost)			
Working capital loan from Banks	19,039.32	17,822.13	6,791.92
	<u>19,039.32</u>	<u>17,822.13</u>	<u>6,791.92</u>

18.1 Working Capital / cash credit facilities from banks are secured against first charge on all current assets both present and future and corporate guarantee of FSN E-Commerce Ventures Private Limited.

18.2 Loan is payable on demand. Interest payable on working capital loan is MCLR adjusted with the risk spread mutually agreed between the parties.

18.3 Maximum amount of loan outstanding during the year was INR 32,386.18 lakhs (March 31, 2019 - INR 22,851.76 lakhs)

18.4 Bank loan contain certain financial covenants & the Company has satisfied all covenants as per the terms of bank loan

18.5 At 31 March 2020, the Company had available INR 2,157 lakhs (31 March 2019: INR 162 lakhs, 1 April 2018: INR 3,657 lakhs) of undrawn committed borrowing facilities.

Details of working capital loan are as follows:

Particulars	At 31 March 2020	At 31 March 2019	At 1 April 2018
Axis bank loan	5,900.31	4,678.85	3,493.13
Kotak Mahindra bank loan	4,802.33	4,645.22	3,298.79
HDFC bank loan	1,649.71	1,976.24	-
IDFC bank loan	2,966.01	3,591.00	-
ICICI bank loan	3,285.51	1,943.10	-
RBL bank loan	435.45	987.71	-
	<u>19,039.32</u>	<u>17,822.12</u>	<u>6,791.92</u>

19 Other financial liabilities - non-current

	At 31 March 2020	At 31 March 2019	At 1 April 2018
Payable for operating lease liabilities	3,785.91	3,058.24	1,013.83
	<u>3,785.91</u>	<u>3,058.24</u>	<u>1,013.83</u>

20 Current financial liabilities

	At 31 March 2020	At 31 March 2019	At 1 April 2018
(Measured at amortised cost, except otherwise stated)			
Current maturities of lease liabilities	587.30	46.73	-
	<u>587.30</u>	<u>46.73</u>	<u>-</u>

(For details of payable for operating lease liabilities with related party refer note 36 related party disclosures)

The effective interest rate for operating lease liabilities is 11.50% as on 31 March 2020 (11.50% as on 31 March 2019, 11.50% as on 1 April 2018)

Changes in liabilities arising from financing activities

Particulars	At 31 March 2019	Cash Flows	At 31 March 2020
For the year ended March 31, 2020			
Loan from holding company	936.49	(180.79)	755.70
Lease liabilities	3,058.24	727.67	3,785.91
Working capital loans from banks	17,822.13	1,217.19	19,039.32
Total liability from financing activity	<u>21,816.86</u>	<u>1,764.08</u>	<u>23,580.94</u>
Particulars	At 1 April 2018	Cash Flows	At 31 March 2019
Loan from holding company	977.72	(41.23)	936.49
Lease liabilities	1,013.83	2,044.41	3,058.24
Working capital loans from banks	6,791.92	11,030.21	17,822.13
Total liability from financing activity	<u>8,783.47</u>	<u>13,033.39</u>	<u>21,816.86</u>

Nykaa E-Retail Private Limited

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

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

21 Provisions	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>	<u>At 1 April 2018</u>
Non-current provisions			
Employee benefits - gratuity (refer note 35)	331.98	158.68	83.94
	<u>331.98</u>	<u>158.68</u>	<u>83.94</u>
Current Provisions			
Employee benefits - gratuity (refer note 35)	4.04	2.37	1.24
	<u>4.04</u>	<u>2.37</u>	<u>1.24</u>
22 Trade payables	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>	<u>At 1 April 2018</u>
Total outstanding dues of Micro enterprise and small enterprise	798.27	80.14	76.17
Total outstanding dues of creditors other than Micro enterprises and small enterprises	26,596.33	16,441.47	13,816.23
	<u>27,394.60</u>	<u>16,521.61</u>	<u>13,892.40</u>
22.1 (For details of trade payable with related parties refer note 36 on related party disclosures)			
22.2 This information is required to be disclosed as per the Micro, Small and Medium Enterprise Development Act, 2006 and has been disclosed to the extent such parties as identified on the basis of information available with the Company.			
	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>	<u>At 1 April 2018</u>
a) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	798.27	80.14	76.17
b) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-	-
c) The amount of interest due and payable for the period of delay in making payment	-	-	-
d) The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-	-
e) The amount of further interest remaining due and payable	-	-	-
	<u>798.27</u>	<u>80.14</u>	<u>76.17</u>
23 Current financial liabilities - Other financial liabilities	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>	<u>At 1 April 2018</u>
Employee related liabilities	872.88	668.86	312.23
Provision for Reward points	497.71	379.99	239.76
	<u>1,370.59</u>	<u>1,048.85</u>	<u>551.99</u>
23.1 For details of salary payable to KMP's refer note 36 on related party disclosures			
23.2 Movement in provision for reward points:		<u>At 31 March 2020</u>	<u>At 31 March 2019</u>
Particulars			
Opening balance		379.99	239.76
Movement during the year		117.72	140.23
Closing balance		<u>497.71</u>	<u>379.99</u>
23.3 Changes in liabilities arising from financing activities			
Particulars	<u>At 31 March 2019</u>	Cash Flows	<u>At 31 March 2020</u>
For the year ended March 31, 2020			
Employee related liabilities	872.88	140.95	1,013.83
Lease liabilities	46.73	540.57	587.30
Total liability from financing activity	<u>919.61</u>	<u>681.52</u>	<u>1,601.13</u>
Particulars	<u>At 1 April 2018</u>	Cash Flows	<u>At 31 March 2019</u>
Employee related liabilities	312.23	560.65	872.88
Lease liabilities	-	46.73	46.73
Total liability from financing activity	<u>312.23</u>	<u>607.38</u>	<u>919.61</u>
24 Other current liabilities	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>	<u>At 1 April 2018</u>
Advance from customers	878.95	630.32	405.43
Creditors for capital goods	66.54	221.53	45.38
Statutory dues payable	1,034.52	703.97	147.52
	<u>1,980.01</u>	<u>1,555.82</u>	<u>598.33</u>

Nykaa E-Retail Private Limited

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

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

25 Revenue from operations

	For the year ended 31 March 2020	For the year ended 31 March 2019
A. Sale of product	1,41,400.56	89,719.01
B. Sale of services		
Marketing support revenue	25,235.94	16,977.85
Income from marketplace services	152.13	879.52
C. Other Operating Revenue		
Logistics services income (shipping and delivery charges)	37.43	137.76
	1,66,826.06	1,07,714.14
Within India	1,66,557.45	1,07,714.14
Outside India	268.61	-
	1,66,826.06	1,07,714.14

26 Other income

	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest Income on:		
Fixed deposit	2.60	3.09
Security deposit	44.89	23.32
Net Investment sublease	23.40	2.60
Miscellaneous income	79.27	23.72
	150.16	52.73

27 Purchase of traded goods

	For the year ended 31 March 2020	For the year ended 31 March 2019
Purchases of traded goods (Beauty and Hygiene)	1,20,005.96	79,726.55
	1,20,005.96	79,726.55

28 (Increase)/decrease in traded products

	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening balance	18,544.87	9,400.63
Closing balance	29,568.29	18,544.87
	(11,023.42)	(9,144.24)

Nykaa E-Retail Private Limited**Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rs. lakhs, unless otherwise stated)***29 Employee benefits expense**

	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries, Wages and Bonus	11,846.26	7,787.56
Contribution to provident funds	207.62	130.56
Gratuity expenses (Refer Note 35)	157.01	80.21
ESOP expenses (Refer Note 43)	249.55	234.41
Staff welfare expenses	127.95	119.75
	12,588.39	8,352.49

30 Depreciation and amortization expense

	For the year ended 31 March 2020	For the year ended 31 March 2019
Depreciation of property, plant and equipment (refer note 4)	655.55	337.35
Depreciation of Right-of-use assets (refer note 4A)	1,539.60	945.87
Amortisation of Intangible assets (refer note 5)	841.28	673.42
	3,036.43	1,956.64

31 Finance costs

	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest expenses borrowings	2,350.67	1,971.94
Interest cost on lease liabilities	470.29	259.18
Commission on financial guarantee	480.50	295.50
	3,301.46	2,526.62

Nykaa E-Retail Private Limited**Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rs. lakhs, unless otherwise stated)***32 Administrative & Other Expenses**

	For the year ended 31 March 2020	For the year ended 31 March 2019
Marketing & Advertisement Expenses	13,924.79	9,613.83
Web & Technology Expenses	3,020.73	2,599.76
Consumption of Packing Materials	3,214.80	1,981.15
Payment Gateway Charges	685.64	453.05
Selling Expenses	735.50	444.87
Rent Expense	65.50	95.60
Freight	12,328.94	8,205.68
Travelling & Conveyance Expenses	267.43	262.61
Printing & Stationery	303.80	229.22
Foreign Exchange (Gain)/Loss	21.92	2.75
Rates & Taxes	243.85	131.67
Recruitment Expenses	216.60	123.77
Security Expenses	283.87	120.40
Office Expenses	75.97	117.79
Electricity Charges	238.67	102.31
Legal and Professional Fees	131.79	88.95
Expected Credit Loss	2.94	6.58
Repairs & Maintenance		
- Others	65.20	71.93
Communication Expenses	136.43	66.91
Insurance Expenses	49.57	30.66
Bank charges	72.61	26.05
Auditors Remuneration :		
Audit fees	10.45	9.50
Taxation Matters	6.78	2.50
Other Matters	-	-
Administrative & Other Expenses	271.81	138.43
	36,375.59	24,925.97

Nykaa E-Retail Private Limited

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

*(All amounts in Rs. lakhs, unless otherwise stated)***33 Revenue from Contracts with Customers****a. Disaggregation of revenue from contracts with customers**

The Company derives its major revenue from sale of products, which is a single line of business. The Company also derives revenue by providing advertisement services to its customer. All the products are sold in India.

b. Contract Balances

Particulars	At 31 March 2020	At 31 March 2019	At 1 April 2018
Trade Receivables	11,505.40	10,035.87	6,752.88
Contract Assets	-	-	-
Contract Liabilities	878.95	630.32	405.43
Revenue recognized in the period from:			
Amounts included in contract liability at the beginning of the period	(248.63)	(224.89)	-
Performance obligations satisfied in previous periods			
Contractual liabilities on reward point	(140.23)	(239.76)	-

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables as certain procedural/administrative tasks are pending (for example, act of invoicing to the customer) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Payments are received from customers based on a billing schedule, as established in the contracts.

Accounts receivables are recognised when the right to consideration becomes unconditional.

Contract liabilities is recognised if a payment is received or payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company satisfies the performance obligation.

There is no significant changes in the contract assets and contract liabilities during the periods presented.

c. Transaction price:**Sale of products**

Contract price is determined as per the terms agreed with the customer, and no further adjustments are made to the same. As such, there are no reconciling items and hence the reconciliation of the contract price is not disclosed.

Sale of services

Revenue from services is recognised on satisfaction of performance obligation as the services are provided. Recognition of certain payments received in advance of services being provided is deferred until the service is provided. The expected contract period are estimated using the historical experience.

d. Costs to obtain the contract:

The Company does not incur material costs to obtain contracts with customers and contract fulfilment costs are generally expensed as incurred.

Nykaa E-Retail Private Limited

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

*(All amounts in Rs. lakhs, unless otherwise stated)***34 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 2 to 6 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 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 2020	As at 31 March 2019
As at 1 April	3,104.97	1,013.83
Add Addition	2,730.39	2,867.96
Add Accretion of interest	470.29	259.18
Less Payments	1,932.43	1,036.01
Closing balance as on March 31	<u>4,373.21</u>	<u>3,104.97</u>
Current	587.30	46.73
Non-current	<u>3,785.91</u>	<u>3,058.24</u>
	<u>4,373.21</u>	<u>3,104.97</u>

The maturity analysis of lease liability is disclosed in note 42

The effective interest rate for lease liabilities is 11.50% as on 31 March 2020 (11.50% as on 31 March 2019, 11.50% as on 1 April 2018)

The following amount are recognised in profit and loss

	For the year ended 31 March 2020	For the year ended 31 March 2019
Depreciation expenses of right of use assets	1,539.60	945.87
Interest expenses on lease liabilities	470.29	259.18
Expenses relating to short term leases	65.50	95.60
	<u>2,075.39</u>	<u>1,300.65</u>

The Company had total cash outflow for leases of INR 1,932 lakhs (March 31, 2019 : INR 1,036 lakhs)

Nykaa E-Retail Private Limited

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

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

35 Gratuity and post-employment 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 207.62 lakhs (previous year INR 130.56 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 atleast 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 March 31, 2020, March 31, 2019 and April 1, 2018:

i. Amount to be recognised in balance sheet

Particulars	At 31 March 2020	At 31 March 2019	At 1 April 2018
Present value of defined benefit obligation	336.02	161.05	85.18
Less: Fair value of plan assets	-	-	-
Funded status – deficit / (surplus)	336.02	161.05	85.18
Net liability recognised in balance sheet	336.02	161.05	85.18

ii. Changes in the present value of defined benefit obligation

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening defined benefit obligation	161.05	85.18
Current service cost	144.53	73.61
Interest cost	12.48	6.60
Remeasurement gain/loss	39.69	-
Experience adjustments	(21.73)	(4.34)
Benefit paid	-	-
Closing defined benefit obligations	336.02	161.05

iii. Changes in the fair value of plan assets

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening plan assets	-	-
Current service cost	-	-
Expected return on plan assets	-	-
Benefit paid	-	-
Actuarial gain/ (loss) on plan assets	-	-
Closing plan assets	-	-

iv. Net defined benefit liability/ (asset) reconciliation

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening net defined benefit liability/ (asset)	161.05	85.18
Defined benefit cost included in P&L	157.01	80.21
Total re-measurements included in OCI	17.96	(4.34)
Employer contributions	-	-
Employer direct benefit payments	-	-
Closing net defined benefit liability/ (asset)	336.02	161.05

v. The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Category	At 31 March 2020	At 31 March 2019	At 1 April 2018
Present value of defined benefit obligation	-	-	-

B Amount for the year ended March 31, 2020 and March 31, 2019 recognised in the Statement of Profit and Loss under employee benefit expenses and other comprehensive income

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current service cost	144.53	73.61
Net Interest expenses	12.48	6.60
The total amount recognised in profit and loss account	157.01	80.21
Actuarial (Gains)/Losses in obligation for year ended due to changes in demographic/financial assumptions	39.69	-
Actuarial (Gains)/Losses in obligation for year ended due to changes in Experience adjustments	(21.73)	(4.34)
The total amount recognised in other comprehensive income (OCI)	17.96	(4.34)

C The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Mortality Table	IALM (2012-14)	IALM (2012-14)
Discount rate:	6.50%	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)

Nykaa E-Retail Private Limited**Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rs. lakhs, unless otherwise stated)*

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.

D The following payments are expected contributions to the defined benefit plan in future years:

	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>
Within the next 12 months (next annual reporting period)	244.71	-
Between 2 and 5 years	-	20.04
Between 5 and 10 years	319.86	9.24
Beyond 10 years	29,729.98	21,408.66
Total expected payments	<u>30,294.55</u>	<u>21,437.94</u>

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 5 years (31 March 2019: 3 years).

E Sensitivity analysis

The sensitivity analysis of significant actuarial assumption as of end of reporting period is shown below.

Particulars	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>
Discount rate (-/+ 1%)		
Decrease by 100 basis points	411.84	197.39
Increase by 100 basis points	276.62	132.59
Future salary increase (-/+ 1%)		
Decrease by 100 basis points	280.98	134.68
Increase by 100 basis points	405.34	194.28

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.

Nykaa E-Retail Private Limited

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

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

36 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
FSN E-Commerce Ventures Private Limited	Holding company
FSN Brands Marketing Private Limited	Fellow subsidiary
Nykaa-KK Beauty Private Limited	Fellow subsidiary
Nykaa Fashion Private Limited	Fellow subsidiary
FSN International Private Limited	Fellow subsidiary (wef 10th December, 2019)

Key Management Personnel (KMP)

Mrs Rashmi Mehta	Director
Ms. Adwaita Nayar	Director
Mr Anchit Nayar	Director (w.e.f. 13th Aug 2019)
Mrs. Falguni Nayar	Chief Executive Officer
Mr Pratik Bhujade	Company Secretary

Relatives of Key Management Personnel (KMP)

Mr Sanjay Nayar

Name of the company in which key management personnel have significant influence

Golfand Developers Private Limited

B. Transactions with Related party

Particulars	Nature of transactions	Transactions during the year ended	Outstanding balances as on	Transactions during the year ended	Outstanding balances as on	Outstanding balances as on
		March 31, 2020	March 31, 2020	March 31, 2019	March 31, 2019	April 1, 2018
Holding company						
FSN E-Commerce Ventures Private Limited	Sales	-	-	6.22	-	-
	Discount Income	1,148.73	-	673.03	-	-
	Banner Advertisement Income	1,581.10	-	783.08	-	-
	Purchases	12,283.15	546.20	6,079.79	(58.89)	(2,465.65)
	Reimbursement of Expenses	2,085.64	-	447.37	-	-
	Rent Expenses	50.20	-	90.12	-	-
	Sale of Property, Plant and Equipment	2.39	-	-	-	-
	Rent Income	6.11	-	6.11	-	-
	Interest Expenses	0.99	-	248.59	-	-
	Lease Liability	-	(182.79)	-	(429.95)	(671.57)
	Notional Interest Expense- Lease	35.31	-	64.98	-	-
	Net Investment- Sublease	-	3.31	-	8.70	8.93
	Notional Interest Income- Sublease	0.72	-	1.22	-	-
	Commission on Financial Guarantee	480.50	-	295.50	-	-
	Interest Expenses on loan-	56.08	-	104.08	-	-
	Loan taken (net)	161.53	(755.70)	2,552.07	(936.49)	(977.72)
	ESOP cost	249.55	-	234.41	-	-
	Other Equity Contribution	858.88	(2,044.99)	677.41	(1,186.11)	(508.70)
Fellow subsidiary						
FSN Brands Marketing Private Limited	Sales	2,282.10	-	1,043.53	-	-
	SOH/ SKU Commercialization Expenses	186.98	-	63.14	-	-
	Banner Advertisement Income	316.38	-	-	-	-
	Commission Expense (Endless Aisle)	40.83	-	-	-	-
	Rent Income	25.50	-	-	-	-
	Discount Income	53.94	-	-	-	-
	Discount Expenses	27.29	-	52.27	-	-
	Purchases	3,840.41	2,033.75	2,505.59	371.31	583.66
	Net Investment- Sublease	-	185.26	-	9.95	9.70
	Notional Interest Income- Sublease	8.13	-	1.38	-	-
Nykaa-KK Beauty Private Limited	Purchases	740.23	199.38	-	-	-
	Discount Income	21.34	-	-	-	-
	Recovery of Reimbursement of Expenses	59.89	-	-	-	-
Nykaa Fashion Private Limited	Recovery of Reimbursement of Expenses	625.24	3.80	-	-	-
	Sales	29.29	-	-	-	-
	Rent Income	129.24	-	-	-	-
	Net Investment- Sublease	-	65.18	-	-	-
	Notional Interest Income- Sublease	14.55	-	-	-	-

Nykaa E-Retail Private Limited

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

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

Particulars	Nature of transactions	Transactions during the year ended March 31, 2020	Outstanding balances as on March 31, 2020	Transactions during the year ended March 31, 2019	Outstanding balances as on March 31, 2019	Outstanding balances as on April 1, 2018
		Amount	Amount	Amount	Amount	Amount
Company in which key management personnel have significant influence						
Golfand Developers Private Limited	Rent & CAM Expenses	246.50	(0.47)	156.56	(1.36)	-
	Security Deposit	9.99	90.99	74.05	81.00	-
	Notional Interest income- Security Deposit	9.99	-	6.95	-	-
	Lease Liability	-	(284.64)	-	(460.19)	-
	Notional Interest Expense- Lease	44.00	-	39.73	-	-
Key Management Personnel*						
Falguni Nayar	Employee cost	206.52	(7.94)	190.19	(6.19)	(11.08)
Relatives of KMP						
Sanjay Nayar	Loan taken	-	-	1,000.00	-	-
	Interest on loan	-	-	52.71	-	-

Figures in brackets indicates payables

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 leave encashment are not included in the above table as the same is also determined on an actuarial basis for the Company as a whole.

Nykna E-Retail Private Limited
Notes to the financial statements for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
37 Earnings per share (EPS)		
Basic and diluted EPS		
Profit/(loss) after tax as per statement of profit and loss (in Lakhs) (A)	1,744.79	(624.48)
Basic weighted average number of equity shares outstanding (B)	95,10,000	95,10,000
Basic and diluted earning per share in Rupees (C=A/B)	18.35	(6.57)

38 Commitments and contingencies

Contingent liabilities (not provided for)

Particulars	At 31 March 2020	At 31 March 2019	At 1 April 2018
Bank guarantee	306.00	301.00	361.00
	306.00	301.00	361.00

Bank guarantees are provided against vendor liabilities

39 Segment information:

The Group is primarily engaged in the business of retail trades through offline and online channels. The separate reportable segments as per IND AS 108 are as follows:

Reportable segments	Operations
Sale of Products	Consist of sale of products to the customers on e-commerce platform of the company
Market Place Services	Consists of income from market place services provided to sellers in respect of warehousing, logistics, order fulfillment, call center, payment collection etc for their products through the company E-commerce platform.
Marketing Support Services	Consists of revenue from advertisement, marketing and promotional services provided to suppliers/sellers

No operating segments have been aggregated to form the reportable operating segments above.

Segment performance is evaluated based on cost efficiency and is measured consistently with profit or loss in the financial statements. The Company's financing (including finance costs and finance income) and income taxes are managed on a Company basis and are not allocated to operating segments.

Segment revenues and results:

Revenue and expenses directly attributable to segments are reported under each reportable segment. Unallocated income and expenses represents those income and expenses which pertain to common services / infrastructure and are reviewed on a group basis by the CODM and therefore not allocated to any segments.

Segment assets and Liabilities:

Segment assets include all operating assets used by the operating segment and mainly consist of trade receivables, inventories and other operating assets. Segment liabilities primarily includes trade payable and other liabilities. Common assets and liabilities which cannot be allocated to any of the business segment are shown as unallocable assets / liabilities.

Segment revenues and results:

Particulars	For the year ended 31 March 2020				
	Sale of Products	Market Place Services	Marketing Support Services	Unallocable	Total Segments
Revenue from operations	1,41,400.56	189.56	25,235.94	-	1,66,826.06
Less: Cost of goods sold	(1,08,982.54)	-	-	-	(1,08,982.54)
Segment result	32,418.02	189.56	25,235.94	-	57,843.52
Other income	-	-	-	150.16	150.16
Employee benefits expense	-	-	-	(12,588.39)	(12,588.39)
Depreciation and amortization expense	-	-	-	(3,036.43)	(3,036.43)
Finance costs	-	-	-	(3,301.46)	(3,301.46)
Administrative and Other expenses	-	-	-	(36,375.59)	(36,375.59)
Profit before tax	-	-	-	-	2,691.81
Tax expense	-	-	-	-	(947.02)
Profit after tax	-	-	-	-	1,744.79

Nykaa E-Retail Private Limited
Notes to the financial statements for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

For the year ended 31 March 2019

Particulars	Sale of Products	Market Place Services	Marketing Support Services	Unallocable	Total Segments
Revenue from operations	89,719.01	1,017.28	16,977.85	-	1,07,714.15
Less: Cost of goods sold	(70,582.31)	-	-	-	(70,582.31)
Segment result	19,136.70	1,017.28	16,977.85	-	37,131.84
Other income	-	-	-	52.73	52.73
Employee benefits expense	-	-	-	(8,352.49)	(8,352.49)
Depreciation and amortization expense	-	-	-	(1,956.64)	(1,956.64)
Finance costs	-	-	-	(2,526.62)	(2,526.62)
Administrative and Other expenses	-	-	-	(24,925.97)	(24,925.97)
Profit before tax	-	-	-	-	(577.16)
Tax expense	-	-	-	-	(47.32)
Profit after tax	-	-	-	-	(624.48)

Segment Assets and Liabilities

For the year ended 31 March 2020

Particulars	Sale of Products	Market Place Services	Marketing Support Services	Total Segments
Segment Assets:				
Inventory	29,938.97	-	-	29,938.97
Receivables	7,087.06	-	4,418.34	11,505.40
Unallocable assets	-	-	-	15,557.89
Segment Liabilities:				
Trade Payables	27,394.60	-	-	27,394.60
Unallocable liabilities	-	-	-	27,854.85

For the year ended 31 March 2019

Particulars	Sale of Products	Market Place Services	Marketing Support Services	Total Segments
Segment Assets:				
Inventory	18,682.36	-	-	18,682.36
Receivables	6,628.12	-	3,407.75	10,035.87
Unallocable assets	-	-	-	11,595.27
Segment Liabilities:				
Trade Payables	16,421.00	100.61	-	16,521.61
Unallocable liabilities	-	-	-	24,629.31

For the year ended 31 March 2018

Particulars	Sale of Products	Market Place Services	Marketing Support Services	Total Segments
Segment Assets:				
Inventory	9,463.64	-	-	9,463.64
Receivables	4,569.78	-	2,183.10	6,752.88
Unallocable assets	-	-	-	6,801.51
Segment Liabilities:				
Trade Payables	13,805.07	87.33	-	13,892.40
Unallocable liabilities	-	-	-	10,018.97

The information based on geographical areas in relation to revenue and non-current assets are as follows:

- Revenue from operations**
Company has revenue from operations within India.
- Non-current operating assets:**
All non-current assets of the Company are located in India.
- The Company does not have revenue from transactions with a single external customer amount to 10 percent or more of the total revenue.

Nykaa E-Retail Private Limited
Notes to the financial statements for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

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.

However, the Company does not have material financial assets and financial liabilities carried at fair value through profit and loss ('FVTPL') and fair value through other comprehensive income. There are no material financial assets and liabilities that are required to be disclosed in level 1 and level 2.

During the period ending 31 March 2020 and 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets/liabilities:

	Carrying value /Fair value as at		
	Significant unobservable inputs (Level 3)		
	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Asset carried at amortised cost			
Security Deposit	476.98	304.29	56.45
Inventories	29,938.97	18,682.36	9,463.64
Trade receivables	11,505.40	10,035.87	6,752.88
Cash and bank balances	521.94	534.23	149.44
Liabilities at amortised cost			
Borrowings	755.70	936.49	977.72
Trade payables	27,394.60	16,521.61	13,892.40
Other financial liabilities	1,370.59	1,048.85	551.99
Lease liabilities	4,373.21	3,104.97	1,013.83

During the period ending 31 March 2020 and 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Nykaa E-Retail Private Limited

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

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

41 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. 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 considers the amount of capital in proportion to risk and manages 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 March 31, 2020 and March 31, 2019.

The net gearing ratio at end of the reporting period was as follows.

	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
Gross debt	20,382.32	18,805.35	7,769.64
Less: Cash and cash equivalents	(521.94)	(534.23)	(149.44)
Net debt	(A) 19,860.38	18,271.12	7,620.20
Total Equity	(B) 1,752.81	(837.42)	(893.34)
Net gearing ratio	(A)/(B) 11.33	(21.82)	(8.53)

42 Financial risk management objectives and policies

The Company's principal financial liabilities comprises loan from holding company, 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 involve 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 before tax by approximately INR 98.98 lacs (2019: 93.79 lacs).

Nykaa E-Retail Private Limited**Notes to the financial statements for the year ended March 31, 2020***(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's retail business is predominantly on 'cash on delivery', the credit risk on such collections is minimal. 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. Further, Trade and other receivables consist of a large number of customers, across geographies, hence, the Company is not exposed to concentration risks.

Security Deposits

The Company also carries credit risk on lease deposits with landlords for store properties taken on leases, for which agreements are signed and property possessions timely taken for warehouse operations. The risk relating to refunds after warehouse shut down 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 consultation with Chief Financial Officer and Board of Directors as per 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. 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 2020			As at 31 March 2019			As at 1 April 2018		
	< 1 year	1 to 5 years	Total	< 1 year	1 to 5 years	Total	< 1 year	1 to 5 years	Total
Loan from holding company	-	700.13	700.13	-	860.66	860.66	-	1,005.98	1,005.98
Working capital loan from bank	19,039.32	-	19,039.32	17,822.13	-	17,822.13	6,791.92	-	6,791.92
Trade payables	27,394.60	-	27,394.60	16,521.61	-	16,521.61	13,892.40	-	13,892.40
Salary payable	872.88	-	872.88	668.86	-	668.86	312.23	-	312.23
Lease liabilities	2,029.06	5,894.87	7,923.92	1,932.43	5,600.12	7,532.56	1,036.01	5,040.11	6,076.12
	49,335.86	6,594.99	55,930.85	36,945.05	6,460.79	43,405.83	22,032.55	6,046.09	28,078.64

Nykaa E-Retail Private Limited**Notes to the financial statements for the year ended March 31, 2020***(All amounts in Rs. lakhs, unless otherwise stated)***43 Employee Share Based Payment**

Under the Employees Stock Option Scheme – 2012 ("2012 Scheme") and 2017 ("2017 Scheme"), the stock options of the holding company were granted to certain employees of the Company. In most cases, the exercise price of the share options is equal to the market price of the underlying shares on the date of grant. Vesting period of options are 3 to 4 years and options are vested equally over the vesting period. Vested options are exercisable as per the terms of the option plan, provided the employee is in employment of the Company on the date of the vesting of the stock options and should not be serving his notice period. The fair value of the share options is estimated at the grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the share options were granted.

The Company has recognised an expense of INR 249.55 lakhs (March 31, 2019 INR 234.41 lakhs) arising from equity settled share based payment transactions for employee services received during the year.

a A summary of the activity in the ESOP 2012 Scheme is as follows:

Particulars	As at March 31,	As at March 31,
	2020	2019
	No. of Options	No. of Options
Outstanding at the beginning of the year	2,59,280	3,16,373
Granted during the year	-	-
Lapsed during the year	-	-
Forfeited during the year	-	(666)
Exercised during the year	(1,17,734)	(56,427)
Outstanding at the end of the year	1,41,546	2,59,280

b A summary of the activity in the ESOP 2017 Scheme is as follows:

Particulars	As at March 31,	As at March 31,
	2020	2019
	No. of Options	No. of Options
Outstanding at the beginning of the year	99,080	64,050
Granted during the year	23,700	41,050
Lapsed during the year	(60)	-
Forfeited during the year	(440)	(5,650)
Exercised during the year	(3,335)	(370)
Outstanding at the end of the year	1,18,945	99,080

Nykaa E-Retail Private Limited

Notes to Financial Statements as at and for the year ended March 31, 2020

All amounts in Rs. lakhs, unless otherwise stated

Note no: 44 First-time adoption of IND AS

These financial statements, for the year ended 31 March 2020, are the first the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for year ending on 31 March 2020, together with the comparative period data as at and for the year ended 31 March 2019, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2018, the Company's date of transition to Ind AS.

This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2018 and the financial statements as at and for the year ended 31 March 2019.

I. Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

a. Deemed cost :

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of the transition to Ind AS, measured as per the previous GAAP and use as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and investment property covered under Ind AS 40 Investment Properties.

Accordingly, the Company has elected to measure all of its property, plant and equipment, intangible assets and investment property at their previous GAAP carrying value.

b. Share based payments:

Ind AS 101 allows the first time adopter to not apply Ind AS 102 Share-based payment to equity instruments that vested before date of transition to Ind AS.

Accordingly, the Company has not applied Ind AS 102 to equity instruments in share-based payment transactions that vested before April 1, 2018.

c. Leases:

The Company has elected to take modified retrospective approach wherein the lease liability is measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at the date of initial application and right of use asset is measured at an amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognition in the Balance sheet immediately before the date of transition to Ind AS. In the context of initial application, the Company has exercised the option not to apply the new recognition requirements to short-term leases and to leases of low-value asset.

Nykaa E-Retail Private Limited

Notes to Financial Statements as at and for the year ended March 31, 2020

All amounts in Rs. lakhs, unless otherwise stated

II. Exceptions:

The following mandatory exceptions have been applied in accordance with Ind AS 101 in preparing the financial statements.

a. Estimates:

The estimates at 1 April 2018 and at 31 March 2019 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from impairment of financial assets based on expected credit loss model where application of Indian GAAP did not require estimation.

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at 1 April 2018, the date of transition to Ind AS and as of 31 March 2019.

b. Classification and measurement of financial assets

The company has classified the financial assets in accordance with Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS.

Nykaa E-Retail Private Limited

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

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

44 A First-time adoption of Ind AS

Reconciliation of equity as at 1 April 2018 (date of transition to Ind AS)

	Footnotes	Indian GAAP *	Adjustments	Ind AS
Assets				
Non-current assets				
Property, plant and equipment		923.42	-	923.42
Intangible assets		1,102.03	-	1,102.03
Right of use asset	1	-	1,011.75	1,011.75
Loans	1	-	6.10	6.10
Financial Assets				
Others		-	-	-
Deferred tax assets	7	570.28	(7.10)	563.18
Other non-current assets		2,098.42	-	2,098.42
		4,694.15	1,010.75	5,704.90
Current assets				
Inventories		9,463.64	-	9,463.64
Financial Assets				
Trade receivables	9	6,766.41	(13.53)	6,752.88
Cash and cash equivalents		149.44	-	149.44
Bank balance other than included in Cash and cash equivalents above		22.82	-	22.82
Loans	1	74.56	(24.22)	50.34
Other current assets	1	855.38	18.63	874.01
		17,332.25	(19.12)	17,313.13
Total assets		22,026.40	991.63	23,018.03
Equity and liabilities				
Equity				
Equity share capital		951.00	-	951.00
Other equity	1-9	(1,610.64)	(233.70)	(1,844.34)
Total equity		(659.64)	(233.70)	(893.34)
Non-current liabilities				
Financial Liabilities				
Borrowings	5	1,005.98	(28.26)	977.72
Lease liabilities	1	-	1,013.83	1,013.83
Other financial liabilities				
Provisions		83.94	-	83.94
		1,089.92	985.57	2,075.49
Current liabilities				
Financial Liabilities				
Borrowings		6,791.92	-	6,791.92
Trade payables	3	13,892.40	-	13,892.40
Other financial liabilities	1	312.23	239.76	551.99
Provisions		1.24	-	1.24
Other current liabilities		598.33	-	598.33
		21,596.12	239.76	21,835.88
Total liabilities		22,686.04	1,225.33	23,911.37
Total equity and liabilities		22,026.40	991.63	23,018.03

Nykaa E-Retail Private Limited

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

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

Reconciliation of equity as at 31 March 2019

	Footnotes	Indian GAAP *	Adjustments	Ind AS
Assets				
Non-current assets				
Property, plant and equipment		2,144.83	-	2,144.83
Intangible assets		1,180.56	-	1,180.56
Right of use asset	1	-	3,042.06	3,042.06
Financial Assets				
Loans	1	-	8.14	8.14
Other financial asset		-	-	-
Deferred tax assets	7	489.25	25.26	514.51
Other non-current assets		2,677.24	-	2,677.24
		6,491.88	3,075.46	9,567.34
Current assets				
Inventories		18,682.36	-	18,682.36
Financial Assets				
Trade receivables	9	10,055.98	(20.11)	10,035.87
Cash and cash equivalents		569.70	(35.47)	534.23
Bank balance other than included in Cash and cash equivalents above		-	35.47	35.47
Loans	3	408.93	(112.78)	296.15
Other financial asset		-	-	-
Other current assets	1	995.93	166.15	1,162.08
		30,712.90	33.26	30,746.16
Total assets		37,204.78	3,108.72	40,313.50
Equity and liabilities				
Equity				
Equity share capital		951.00	-	951.00
Other equity	1-9	(1,379.23)	(409.19)	(1,788.42)
Total equity		(428.23)	(409.19)	(837.42)
Non-current liabilities				
Financial Liabilities				
Borrowings	5	860.66	75.83	936.49
Lease liability		-	3,058.24	3,058.24
Provisions		158.68	-	158.68
Other non current liabilities		-	-	-
		1,019.34	3,134.07	4,153.41
Current liabilities				
Financial Liabilities				
Trade payables		16,564.47	(42.86)	16,521.61
Borrowings		17,822.13	-	17,822.13
Current maturity of lease	1	-	46.73	46.73
Other financial liabilities	3	668.88	379.97	1,048.85
Provisions		2.37	-	2.37
Other current liabilities		1,555.82	-	1,555.82
		36,613.67	383.84	36,997.51
Total liabilities		37,633.01	3,517.91	41,150.92
Total equity and liabilities		37,204.78	3,108.72	40,313.50

Nykaa E-Retail Private Limited
Notes to the financial statements for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)
Reconciliation of profit or loss for the year ended 31 March 2019

	Footnotes	Indian GAAP*	Adjustments	Ind AS
Continuing operations				
Revenue from operations		1,16,070.74	(8,356.60)	1,07,714.14
Other income	1	26.81	25.92	52.73
Total Income		1,16,097.55	(8,330.68)	1,07,766.87
Cost of materials consumed				
Purchase of traded goods		87,942.92	(8,216.37)	79,726.55
(Increase)/decrease in work in progress of projects (at cost)		(9,144.24)	-	(9,144.24)
Employee benefit expense	2,6	8,113.74	238.75	8,352.49
Depreciation and amortization expense	1	1,010.77	945.87	1,956.64
Finance costs	4,5	1,867.86	658.76	2,526.62
Other expenses	3,4,9	25,994.10	(1,068.13)	24,925.97
Total expense		1,15,785.15	(7,441.12)	1,08,344.03
Profit before exceptional items		312.40	(889.55)	(577.16)
Add/(Less): Exceptional items		-	-	-
Profit / (loss) before tax		312.40	(889.55)	(577.16)
Tax expense / (benefit) :				
Current tax		-	-	-
Deferred tax	7	81.00	(33.68)	47.32
Tax expense relating to earlier years		-	-	-
Income tax expense		81.00	(33.68)	47.32
Profit / (loss) after tax		231.40	(855.87)	(624.48)
Other comprehensive income				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gains/ (losses) on defined benefit plans	8	-	4.34	4.34
Income tax effect on above		-	(1.35)	(1.35)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	2.99	2.99
Other comprehensive income for the year, net of tax		-	2.99	2.99
Total comprehensive income for the year		231.40	(852.88)	(621.49)

* The Indian GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

Footnotes to the reconciliation of equity as at 1 April 2018 and 31 March 2019 and profit or loss for the year ended 31 March 2019

Nykaa E-Retail Private Limited
Notes to the financial statements for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

44 B First-time adoption of Ind AS

III Reconciliation of equity as per previous GAAP and IND AS

Ind AS 101 requires an entity to reconcile equity and total comprehensive income for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

Particulars	foot notes	As at March 31, 2019	As at April 1, 2018
Net Worth under Indian GAAP		(428.23)	(659.64)
Summary of Ind AS adjustments			
Accounting for reward points	3	(140.23)	(239.76)
Net change of previous year		(233.70)	-
Others		12.86	(1.57)
Fair valuation of loan from parent	5	(104.08)	(56.31)
Fair valuation of financial guarantee	4	(295.50)	(122.67)
Equity settled share based payment expense	2	(234.41)	(301.46)
Additional contribution by parent for above	2, 4, 5	677.41	508.70
Additional recognition of deffered tax	7	49.11	(7.10)
Provision for expected credit loss	9	(6.58)	(13.53)
Excess charge due to lease accounting	1	(134.06)	-
Net Worth under Ind AS		(837.42)	(893.34)

IV Reconciliation of total comprehensive income for the year ended March 31, 2019:

Particulars	Notes	For the year ended 31 March 2019
Net profit after tax as reported under Indian GAAP		231.40
Nature of adjustments		
Fair valuation of loan from parent	5	(104.08)
Fair valuation of financial guarantee	4	(295.50)
Equity settled share based payment expense	2	(234.41)
Accounting for reward points	3	(140.23)
Expected credit loss	9	(6.58)
Excess charge due to lease accounting	1	(104.41)
Re-measurement losses on defined benefit plans (net of tax)	6	(4.34)
Movement in deferred tax consequent to above changes	7	33.68
Net loss after tax as per Ind AS		(624.48)
Re-measurement losses on defined benefit plans (net of tax)	6	2.99
Total Comprehensive income as per Ind AS		(621.49)

Nykaa E-Retail Private Limited

Notes to Financial Statements as at and for the year ended March 31, 2020

All amounts in Rs. lakhs, unless otherwise stated

Footnotes to the reconciliation of equity as at April 1 2018 and March 31, 2019 and profit or loss for the year ended 31 March 2019.

1. Leases:

Ind AS 116 supersedes Ind AS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Company adopted Ind AS 116 using the modified retrospective method of adoption with the date of initial application of 1 April 2018 being the date of transition.

Also, interest free lease security deposits were recorded at their transaction value under the Indian GAAP. However, under Ind AS, all financial assets are required to be recognised at fair value. Accordingly, the Company has fair valued certain security deposits by discounting them over the lease period under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognised as prepaid rent which has been adjusted in the value of ROU asset. Consequent to this change, the amount of ROU asset (Lease netted off sublease) recognised by INR 3,042.06 lakhs as at March 31, 2019 (April 1, 2018- INR 1,011.75 lakhs) and the lease liabilities recognised by INR 3,104.97 lakhs as at March 31, 2019 (April 1, 2018- INR 1,013.83.20 lakhs). Investment on sublease is recognised by INR 18.65 lakhs as at March 31, 2019 (April 1, 2018-INR 18.63 lakhs). The profit and loss is decreased by 104.52 lakhs for the year ended March 31, 2019.

Also, interest free lease security deposits were recorded at their transaction value under the Indian GAAP. However, under Ind AS, all financial assets are required to be recognised at fair value. Accordingly, the Company has fair valued certain security deposits by discounting them over the lease period under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognised as prepaid rent which has been adjusted in the value of ROU asset. Consequent to this change, the amount of security deposits reduced by INR 122.76 lakhs as at March 31, 2019 (April 1, 2018 – INR 18.11 lakhs) and the ROU asset is increased by INR 122.76 lakhs as at March 31, 2019 (April 1, 2018 – INR 18.11 lakhs).

2. Share based payments:

Under the previous GAAP the Company did not have any settlement obligation nor did it receive any cross charge from the holding company for stock options granted to certain employees of the Company. Accordingly, no cost was recorded in the books of the Company under previous GAAP. Per Ind AS 102 Share based payments, even if they are for shares in the parent company, should be accounted for by the entity. In the separate financial statements of subsidiaries, the award is treated as an equity-settled share-based payment; this is because the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, and a credit is recognised in equity. The credit to equity is treated as a capital contribution because the parent is compensating the subsidiaries' employees with no expense to the subsidiaries.

Accordingly, an additional expense of INR 234.41 lakhs has been recognised in the statement of profit or loss for the year ended March 31, 2019. Share options totalling INR 301.46 lakhs which were granted before and still vesting at April 1, 2018, have been recognised as additional capital at April 1, 2018.

Nykaa E-Retail Private Limited

Notes to Financial Statements as at and for the year ended March 31, 2020

All amounts in Rs. lakhs, unless otherwise stated

3. Reward points:

The Company has a reward points programme which allows customers to accumulate points that can be redeemed against future purchases of products at discounted prices. Under Ind AS, consideration received from a customer is allocated between the goods sold and the reward points issued on a relative stand-alone selling price basis. Fair value of the points is determined by applying a statistical analysis. The fair value allocated to the points issued is deferred and recognised as revenue when the points are redeemed. On the date of transition, the Company has deferred revenue of INR 239.76 lakhs which has been adjusted against retained earnings and for March 31, 2019: INR 140.23 lakhs which has been adjusted in profit and loss.

4. Financial guarantee contracts:

FSN E-Commerce Ventures Private Limited has provided financial guarantee without any charge in respect of the bank loans availed by the Company. Under Indian GAAP, the Company was not required to record the fair value of the guarantee. Under IND AS, considering the relationship between parent and subsidiary, the financial guarantee is required to be recognized at fair value with a corresponding credit to capital contribution from parent under Other Equity. Accordingly, the resultant impact of Rs. 122.67 lakh has been added to other equity as on April 1, 2018 and INR 443.50 lakh as on March 31, 2019. Charge for the year ended March 31, 2019 INR 295.50 lakhs has been debited to the statement of profit and loss under finance cost as interest expenses and charge for April 1, 2018 INR 122.67 lakh has been adjusted against retained earnings.

5. Loan from holding company:

The Company has obtained loans from FSN E-Commerce Ventures Private Limited (the holding company) which were measured at cost under India GAAP. However, on transition to IND AS, these loans being financial liabilities have been initially measured at amortized cost and subsequently amortized using effective interest method. Accordingly, the resultant impact of Rs. 84.57 lakh has been added to the loan with a corresponding impact to other equity as on April 1, 2018. Charge for the year ended March 31, 2019 INR 104.08 lakh has been debited to the statement of profit and loss under finance cost as interest expenses.

6. Defined benefit liabilities:

Both under Indian GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under Ind AS, re-measurements i.e., actuarial gains and losses and the return on plan assets excluding amounts included in net interest on the net defined benefit liability are recognised in Other Comprehensive Income (OCI) instead of profit or loss. Thus, the employee benefits cost in profit and loss is increased by INR 2.98 lakhs for the year ended March 31, 2019 and on 1 April 2018 re-measurement gain of INR 5.84 lakhs on defined benefit plans has been recognized in the OCI by transfer from retained earnings, as a result of this change there is no impact on the total equity.

7. Deferred Tax:

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Nykaa E-Retail Private Limited

Notes to Financial Statements as at and for the year ended March 31, 2020

All amounts in Rs. lakhs, unless otherwise stated

The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity. The deferred tax asset is decreased by INR 68.57 lakhs on 31 March 2019 (1 April 2018: INR 79.48 lakhs).

8. Other Comprehensive Income

Under Indian GAAP, the Company has not presented other comprehensive income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to profit or profit or loss as per Ind AS. Further, Indian GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

9. Expected Credit Loss

Under Indian GAAP, the Company has not provided for any provision for doubtful debts. Ind AS requires to book provisions for some specified financial assets on forward looking approach (Expected Loss) against current method of booking provision after the default actually occurs. Ind AS has suggested two approaches to recognise provision (a) Simplified approach (b) General Approach. The Company has followed simplified approach and consequent to this the profit and loss is reduced by INR 6.58 lakhs for the year ended March 31, 2019 retained earnings is reduced by INR 13.53 as at April 1, 2018

10. Cash flow statements

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

Nykaa E-Retail Private Limited
Notes to the financial statements for the year ended March 31, 2020
(All amounts in Rs. lakhs, unless otherwise stated)

45 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 of trade payables under the current liabilities 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'.

46 Impact of Covid 19

The global outbreak of COVID-19 in early 2020 is causing major disruptions to both social and economic activities. Its is reasonably possible that COVID-19 may have an adverse impact on the revenues and results of the company for next financial year, the extent of which will depend on how long the outbreak lasts and when the economies recover.

The management has evaluated the situation and currently feels that this COVID-19 situation does not have any material impact on current financial statement.

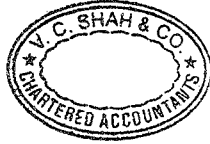
47 Event after reporting dates

There have been no event after reporting dates that require disclosure in this financial statements.


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

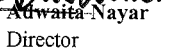



A. N. Shah
Partner
Membership No: 42649




For and on behalf of Board of Directors of
Nykaa E-Retail Private Limited


Anshu Nayar
Director
DIN No 08351358


Adwaita Nayar
Director
DIN No 07931382


Falguni Nayar
Chief Executive Officer


Pratik Bhujade
Company Secretary
ACS M.No. A38175

Place: Mumbai
Date: 19 August, 2020

