

Nykaa E-Retail Private Limited

Financial Statements as on 31 March 2021

S.R. Batliboi & Associates LLP
Chartered Accountants

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

V. C. Shah & Co.
Chartered Accountants

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

INDEPENDENT AUDITORS' REPORT

To the Members of 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 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and notes to the 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 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the financial statements and our auditors' 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. The Board of Directors' report is not made available to us as at the date of auditors' report. Accordingly, we have nothing to report in this regard.



Responsibility 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 the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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.

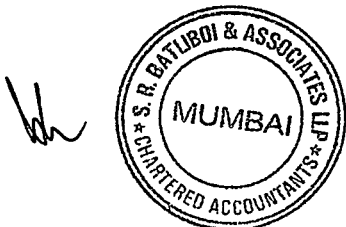
Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude



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.

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

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

Other Matter

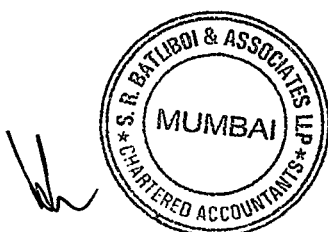
The financial statements of the Company for the year ended March 31, 2020, included in these financial statements, have been audited solely by one of the joint auditors who expressed an unmodified opinion on those statements on August 19, 2020.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable, that:

As required by Section 143(3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards (Ind AS) specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;



- (f) With respect to the adequacy of the internal financial controls with reference to these financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B", to this report;
- (g) The provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2021;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules 2014, as amended in our opinion and to the best of our information and according to the explanations provided to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 38 (B) the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

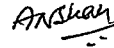


per Vineet Kedia
Partner
Membership Number: 212230
UDIN: 21212230AAAACE1324



Place of Signature: Mumbai
Date: June 07, 2021

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



per A. N. Shah
Partner
Membership Number: 42649
UDIN: 21042649AAATJE2863



Place of Signature: Mumbai
Date: June 07, 2021

“ANNEXURE A” to the Independent Auditor's Report referred to in Paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date

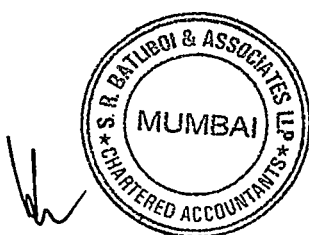
- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, some fixed assets were physically verified during the year. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations provided to us, as the Company owns no immovable properties, the requirement on reporting whether title deeds of immovable properties held in the name of the Company is not applicable
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us and audit procedures performed by 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. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act for the products/services of the Company .
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, duty of customs, goods and service tax, cess and any other statutory dues to the appropriate authorities. The provisions relating to duty of excise, sales tax, service tax and value added tax are not applicable to the Company for the year ended March 31, 2021.



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

Name of the statute	Nature of the dues	Amount (Rs. In Lakhs)	Period to which the amount relates	Forum where the dispute is pending
The Maharashtra Value Added Tax Act 2002	MVAT	8.48	Apr-2017 to Jun-2017	Deputy Commissioner of Sales Tax (Appeals)

- viii In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to bank. The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or to government or dues to debenture holders during the year.
- ix According to the information and explanations given by the management and audit procedures performed by us, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans, therefore, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- x Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the company by the officers and employees of the Company has been noticed or reported during the year.
- xi According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the Company and therefore reporting under clause 3(xi) are not applicable and hence not commented upon.
- xii In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- xiii According to the information and explanations given by the management and audit procedures performed by us, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.



- xiv According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- xv In our opinion and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected to its Directors as referred to in section 192 of the Act.
- xvi According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

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



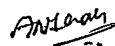
per Vineet Kedia
Partner

Membership Number: 212230
UDIN: 21212230AAAACE1324



Place of Signature: Mumbai
Date: June 07, 2021

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



per A. N. Shah
Partner

Membership Number: 42649
UDIN: 21042649AAATJE2863



Place of Signature: Mumbai
Date: June 07, 2021

ANNEXURE 'B' TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE

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

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

We have audited the internal financial controls with reference to financial statements of Nykaa E-Retail Private Limited ('the Company') as of March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

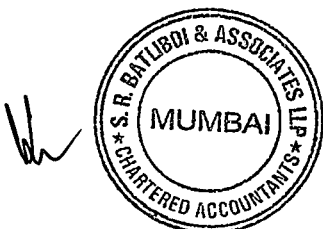
Our responsibility is to express an opinion on the Company's internal financial controls with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note")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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls with reference to these financial statements included obtaining an understanding of internal financial controls with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the 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 with reference to these financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Financial Statements

A Company's internal financial control over financial reporting with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the



assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to these Financial Statements

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

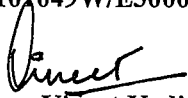
Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For S.R. Batliboi & Associates LLP

Chartered Accountants

**ICAI Firm Registration Number:
101049W/E300004**



**per Vineet Kedia
Partner**

**Membership Number: 212230
UDIN: 21212230AAAACE1324**



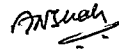
Place of Signature: Mumbai

Date: June 07, 2021

For V. C. Shah & Co.

Chartered Accountants

**ICAI Firm Registration Number:
109818W**



**per A. N. Shah
Partner**

**Membership Number: 42649
UDIN: 21042649AAATJE2863**



Place of Signature: Mumbai


Date: June 07, 2021

Nykaa E-Retail Private Limited
Balance sheet as at 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

	Notes	As at	As at
		31 March 2021	31 March 2020
Assets			
Non-current assets			
Property, plant and equipment	4A	2,963.97	2,982.97
Right of use assets	4B	2,771.47	3,953.71
Capital work-in-progress	5B	149.85	-
Intangible assets	5A	1,230.63	1,156.74
Intangible assets under development	5B	38.76	56.85
Financial assets			
Loans	6A	249.85	36.08
Other financial assets	6B	109.12	148.60
Deferred tax assets (net)	7	1,161.29	155.20
Non-current tax asset (net)		-	591.53
Other non-current assets	8	76.61	-
Total non-current assets		8,751.55	9,081.68
Current assets			
Inventories	9	35,524.79	29,938.97
Financial assets			
Trade receivables	10	7,953.61	8,995.83
Cash and cash equivalents	11	2,825.93	521.94
Bank balance other than cash and cash equivalents above	12	269.26	41.53
Loans	13	296.28	440.90
Other financial assets	14	3,546.30	2,617.00
Other current assets	15	3,234.84	5,364.40
Total current assets		53,651.01	47,920.58
Total assets		62,402.56	57,002.24
Equity and liabilities			
Equity			
Equity share capital	16	951.00	951.00
Other equity	17	10,819.07	801.78
Total equity		11,770.07	1,752.78
Non-current liabilities			
Financial liabilities			
Lease liabilities	19	1,980.74	3,785.91
Long-term provisions	21	446.66	331.98
Total non-current liabilities		2,427.40	4,117.89
Current liabilities:			
Financial liabilities			
Borrowings	18	12,929.63	19,039.32
Lease liabilities	20	1,164.24	587.30
Trade payables enterprises	22	608.70	798.27
Total outstanding dues of creditors other than Micro enterprises and small enterprises		25,369.81	25,843.95
Other financial liabilities	23	2,941.13	2,797.88
Short-term provisions	21	596.60	4.04
Contract liabilities	24A	1,617.55	1,376.66
Current tax liabilities		2,469.33	179.11
Other current liabilities	24B	508.11	505.04
Total current liabilities		48,205.10	51,131.57
Total liabilities		50,632.50	55,249.46
Total equity and liabilities		62,402.56	57,002.24

Significant accounting policies 2 to 3
Accompanying note form an integral part of these financials statements

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


A. N. Shah
Partner
Membership No: 42649



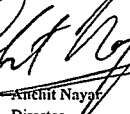
As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004



Vineet Kedia
Partner
Membership No: 212230

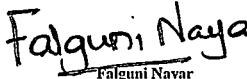


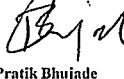
Place: Mumbai
Date: 07 June 2021

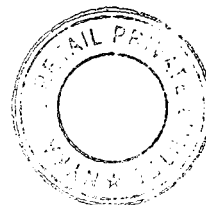
For and on behalf of Board of Directors of
Nykaa E-Retail Private Limited


Anchi Nayar
Director
DIN No 08351358


Arvind Agarwal
Director
DIN No 92175753


Falguni Nayar
Chief Executive Officer



Pratik Bhujade
Company Secretary
ACS M.No. A38175



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


	Notes	Year ended 31 March 2021	Year ended 31 March 2020
INCOME			
Revenue from operations	25	2,20,360.25	1,60,214.89
Other income	26	140.43	129.33
TOTAL INCOME		2,20,500.68	1,60,344.22
EXPENSES			
Purchase of traded goods	27	1,50,536.13	1,13,373.96
Changes in inventories of finished goods and Stock-in -Trade	28	(5,233.63)	(11,023.42)
Employee benefits expense	29	17,815.38	12,588.39
Depreciation and amortisation expense	30	3,242.63	3,036.43
Finance costs	31	2,497.63	3,301.46
Other expenses	32	39,696.26	36,375.62
TOTAL EXPENSES		2,08,554.40	1,57,652.44
Profit / (Loss) before tax		11,946.28	2,691.78
Tax expense / (benefit)			
Current tax		3,982.72	583.19
Deferred tax		(1,005.67)	363.83
Tax expense relating to earlier years		(156.92)	-
Profit / (Loss) after tax		9,126.15	1,744.76
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Remeasurement gain/(losses) on defined benefit liability		1.68	(17.96)
Income tax effect on above		0.42	4.52
Items that will not be reclassified to profit or loss, net of tax		2.10	(13.44)
Total Comprehensive Income for the year		9,128.25	1,731.32
Earnings per share			
Basic earnings per share (INR)	37	95.96	18.35
Diluted earnings per share (INR)	37	95.96	18.35
Significant accounting policies	2 to 3		
Accompanying note form an integral part of these financials statements			

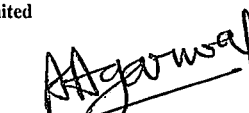
As per our report of even date
For V. C. Shah & Co.
Chartered Accountants
Firm Registration No: 109818W


A. N. Shah
Partner
Membership No: 42649



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

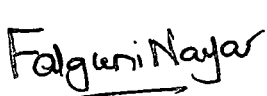


Anchit Nayak
Director
DIN No 08351358


Arvind Agarwal
Director
DIN No 02175753

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

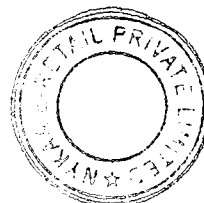

Vineet Kedia
Partner
Membership No: 212230



 
Falguni Nayar
Chief Executive Officer

Pratik Bhujade
Company Secretary
ACS M.No. A38175

Place: Mumbai
Date: 07 June 2021

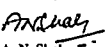


Nykaa E-Retail Private Limited
Statement of Cash Flows for the year ended 31 March 2021
(All amounts in Rs. Lakhs, unless otherwise stated)


	31 March 2021	31 March 2020
Operating activities		
Net profit before tax as per Statement of profit & loss	11,946.28	2,691.78
Adjustments to reconcile profit / (loss) before tax to net cash flows:		
Add: Depreciation and amortisation expense	3,242.63	3,036.43
Add: Interest expenses and other finance costs	2,497.63	3,301.46
Add: Provision for gratuity	213.97	157.01
Add: Provision for leave compensated absences	580.78	-
Add: Provision for bonus	-	185.00
Add: Allowance for expected credit loss	600.68	2.94
Add: ESOP expense	356.04	249.55
Add: Rent waiver	(38.27)	-
Less: Interest received	(89.49)	(70.89)
Less: Sundry balance written back	-	(0.03)
Less: Unrealised (Gain)/Loss on Foreign Exchange fluctuations (net)	(25.39)	21.92
Operating profit before working capital changes	19,284.86	9,575.18
Adjustments for changes in working capital:		
Decrease in Trade receivables	444.48	1,043.68
(Increase) in Inventories	(5,585.82)	(11,256.61)
(Increase) in Loans	(11.88)	(127.80)
(Increase) in Other financial assets	(994.18)	(1,724.70)
Decrease/(Increase) in Other current assets	2,120.73	(2,699.57)
(Increase) in Other non current Assets	(76.61)	-
(Increase)/Decrease in Trade payables	(638.32)	10,098.69
(Decrease)/Increase in Provisions	(87.51)	17.96
Increase in Other current and financial liabilities	1,047.11	1,684.08
Cash generated from operations	15,502.86	6,610.91
Payment of direct taxes (net)	(944.05)	(404.08)
Net cash flow from operating activities	14,558.81	6,206.83
Investing activities		
Purchases of Property, Plant & Equipment and Intangible assets (including capital-work in progress and net of sales)	(1,607.06)	(2,411.54)
Interest received	7.80	0.32
Net cash flows (used in) investing activities	(1,599.26)	(2,411.22)
Financing activities		
Investment in Bank deposits	(227.73)	(8.34)
(Repayment of) non-current borrowings	(755.70)	(936.49)
(Decrease)/Increase in current borrowings	(6,109.69)	1,217.19
Rental income on sub lease	126.95	154.74
Interest expense on borrowings	(1,541.84)	(2,302.57)
Payment of lease liabilities	(1,716.57)	(1,462.14)
Interest expense on lease liabilities	(430.98)	(470.29)
Net cash flows (used in) financing activities	(10,655.56)	(3,807.90)
Net increase / (decrease) in cash and cash equivalents	2,303.99	(12.29)
Cash and cash equivalents at the beginning of the year	521.94	534.23
Cash and cash equivalents at the year end	2,825.93	521.94

Note:
Non cash transactions relating to investing and financing activities. (Refer note no 14A, 23.4 and 34).
The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS) 7 Statement of Cash flow.

Accompanying note form an integral part of these financials statements

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

A. N. Shah
Partner
Membership No: 42649



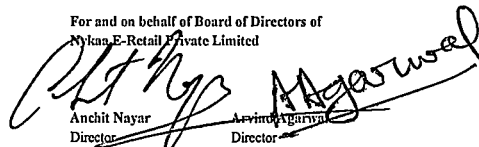
As per our report of even date
For S. R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No: 101049W/E300004

Vineet Kedia
Partner
Membership No: 212230



Place: Mumbai
Date: 07 June 2021

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

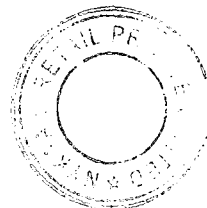

Anchit Nayar
Director
DIN No 08351358


Arvind Agarwal
Director
DIN No 02175753


Falguni Nayar
Chief Executive Officer

Falguni Nayar
Chief Executive Officer

Pratik Bhujade
Company Secretary
ACS M.No. A38175



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

a. Equity Share Capital:

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

At 1 April 2019

Issue during the year

At 31 March 2020

Issue during the year

At 31 March 2021

	No. of shares	Amount
At 1 April 2019	95,10,000	951
Issue during the year	-	-
At 31 March 2020	95,10,000	951
Issue during the year	-	-
At 31 March 2021	95,10,000	951

b. Other Equity:

For the year ended 31 March 2021

Particulars	Capital contribution from Parent	Reserves & Surplus		Other comprehensive income (OCI)	Total other equity
		Retained Earnings	Capital reserve		
As at 31 March 2020	2,044.99	(1,400.60)	173.68	(16.29)	801.78
Net Profit for the year	-	9,126.15	-	-	9,126.15
Other comprehensive income	-	-	-	2.10	2.10
Total comprehensive income	2,044.99	7,725.55	173.68	(14.19)	9,930.03
Addition during the year	889.04	-	-	-	889.04
As at 31 March 2021	2,934.03	7,725.55	173.68	(14.19)	10,819.07

For the year ended 31 March 2020

Particulars	Capital contribution from Parent	Reserves & Surplus		Other comprehensive income (OCI)	Total other equity
		Retained Earnings	Capital reserve		
		Amount	Amount	Amount	Amount
As at 31 March 2019	1,186.11	(3,145.36)	173.68	(2.85)	(1,788.41)
Net Profit for the period	-	1,744.76	-	-	1,744.76
Other comprehensive income	-	-	-	(13.44)	(13.44)
Total comprehensive income	1,186.11	(1,400.60)	173.68	(16.29)	(57.09)
Addition during the year	858.88	-	-	-	858.88
As at 31 March 2020	2,044.99	(1,400.60)	173.68	(16.29)	801.79

Significant accounting policies

Accompanying note form an integral part of these financials statements

As per our report of even date

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

Arvind Agarwal
Arvind Agarwal
Director
DIN No 02175753

As per our report of even date

For S. R. Batliboi & Associates LLP

Chartered Accountants

Firm Registration No: 101049W/E300004

Vincent Kedia

Vincent Kedia

Partner

Membership No: 212230



Falguni Nayar

Falguni Nayar
Chief Executive Officer

Pratik Bhujade

Pratik Bhujade
Company Secretary
ACS M.No. A38175

Place: Mumbai

Date: 07 June 2021



Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March 2021
Amounts in Indian Rupees in lakhs

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 online platforms or websites and other online applications as well as through offline channels i.e. stores, stalls etc.

The financial statements for the year ended 31 March 2021 were approved by the Board of Directors and authorised for issue on 7 June 2021.

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

2. Significant accounting policies

2A. Basis of preparation

i) Statement of compliance:

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

ii) Historical cost convention:

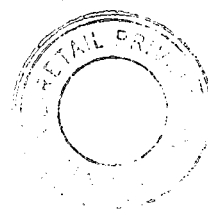
The financial statements have been prepared on a historical cost convention on accrual basis, except for certain assets and liabilities that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value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

3. Summary of significant accounting policies:

a) Current versus non-current classification

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

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



Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March 2021
Amounts in Indian Rupees in lakhs

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.

b) Property Plant & Equipment

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

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

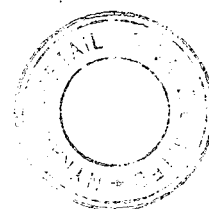
Cost incurred on Property, plant and equipment not ready for their intended use is disclosed as Capital Work-in-Progress. Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date are classified as capital advances under other non-current assets.

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

Depreciation on Property, Plant & Equipment

Depreciation is provided using the straight-line method based on useful lives of the assets prescribed in Schedule II to the Companies Act, 2013.

Leasehold improvements are amortized on a straight-line basis over the period of primary lease or the expected useful life whichever is lower.



Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March 2021
Amounts in Indian Rupees in lakhs

Estimated useful lives of the assets are as follows:

Property, Plant and equipment	Useful lives (in years)
Computers	3
Furniture & Fixtures	10
Office Equipments	5

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

c) Intangible assets

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

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

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

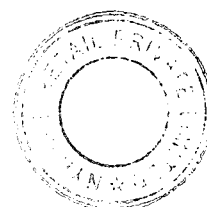
Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the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

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

Amortization of intangible assets:

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

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

Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March 2021
Amounts in Indian Rupees in lakhs

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.

d) Impairment of non-financial assets

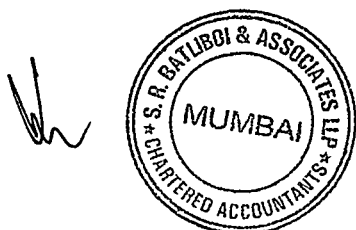
The carrying amounts of assets are reviewed at each balance sheet date. If there is any indication of impairment based on internal / external factors, an impairment loss is recognised, i.e. wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater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

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

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

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

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



Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March 2021
Amounts in Indian Rupees in lakhs

e) Inventory

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

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

- Raw materials: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in, first out basis.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs. Cost is determined on first in, first out basis.
- Stock in Trade: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in, first out basis.

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

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

f) Leases

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

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)

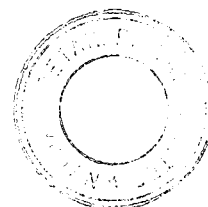
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.



Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March 2021
Amounts in Indian Rupees in lakhs

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

ii. Lease liabilities:

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

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

iii. Short term leases and leases of low value assets:

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

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

Sub-lease

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

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

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



Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March 2021
Amounts in Indian Rupees in lakhs

- payments of penalties, if any, for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on net investment in the lease.

Net investment in the lease are subject to the derecognition and impairment requirements in Ind AS 109. The Company regularly reviews estimated unguaranteed residual values, if any, used in computing the gross investment in the lease and adjusts the income allocation accordingly.

g) Financial Instruments

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

I. Initial recognition and measurement:

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

Financial Assets

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

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

Financial Liabilities

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

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

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)



Nykaa E-retail Private Limited
Notes to Financial Statements as at and for the year ended 31 March 2021
Amounts in Indian Rupees in lakhs

- Financial assets at fair value through profit or loss

Financial assets at amortised cost

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

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

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

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

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

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

ii. Financial liabilities

Financial liabilities at fair value through Profit or Loss

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

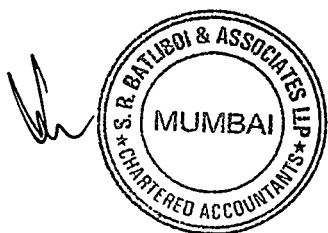
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own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

Financial liabilities at amortised cost (loans and borrowings)

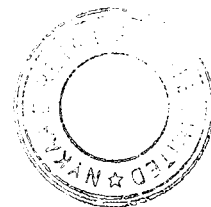
Financial liabilities are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment



PPS



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when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 115.

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

III. Derecognition

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

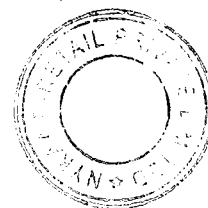
Financial Liabilities

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

IV. Impairment of financial assets:

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

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



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

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

V. Offsetting of financial instruments

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

h) Revenue recognition:

I. Revenue from contracts with customers

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

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

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

i. Sale of products:

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

Contacts 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.



AMS



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Marketing Support Revenue

- 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.

- Advertising revenue is derived from displaying web and application based banner ads and sale of online advertisements. Revenue from banner advertisement is recognised pro rata over the period of display of advertisement as per contract.

- Revenue from sale of online advertisements is recognised based on output method and the Company applies the practical expedient to recognize advertising revenue in the amount to which the Company has a right to invoice upon rendering of services.

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.

iv. Contract balances:

- Contract assets

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

- 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.



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II. Interest income:

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

i) Provisions

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

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

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

j) Foreign currency transactions

Functional and presentation currency

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

Foreign currency transactions and balances

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

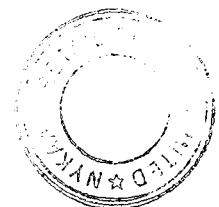
Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which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

(iii) Exchange differences

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

k) Share based payments

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



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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.

1) Post-employment and other employee benefits

Short term employee benefits:

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

Post-employment benefits:

i. Defined Contribution Plans

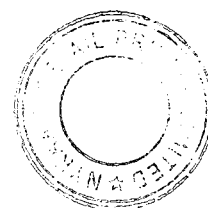
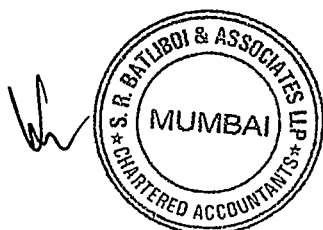
Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the year when the contribution to the funds is due. There are no other obligations other than the contribution payable to the fund. The Company recognizes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

ii. Defined Benefit Plans

Gratuity

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

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



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

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

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

Compensated absences

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

m) Borrowing cost

Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they are incurred. Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowing to the extent they are regarded as adjustment to the interest cost.

n) Fair value measurement

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

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

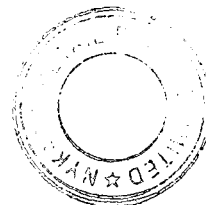
The principal or the most advantageous market must be accessible by the Company.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities



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- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The management assessed that cash and cash equivalents, trade receivables, advances, trade payables, bank overdraft and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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.

o) Income taxes

Tax expense comprises current and deferred tax.

Current income tax

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

Deferred tax

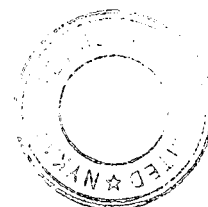
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

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

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

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



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uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

p) Cash and cash equivalents

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

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

q) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

r) Earnings per share

Basic earnings per share 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.

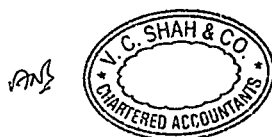
For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, except where the result would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

s) Segment reporting policies

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

t) Share capital

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



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3A. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. Such judgments, estimates and associated assumptions are evaluated based on historical experience and various other factors, including estimation of the effects of uncertain future events, which are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

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

I. Judgements:

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

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

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 by way of alternate property is not readily available. The renewal periods for leases of property with longer non-cancellable periods (i.e., 6 to 10 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.



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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 and compensated absences

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

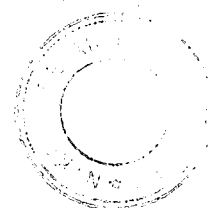
Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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.



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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:

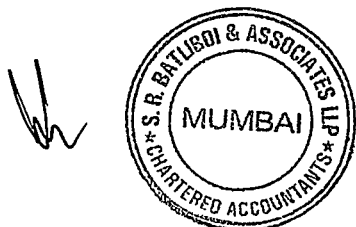
The company estimates the stand-alone selling price of the loyalty points awarded by multiplying to the estimated redemption rate and to the monetary value assigned to the loyalty points. In estimating the redemption rate, the Company considers breakage which represents the portion of the points issued 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 simplified approach to determine impairment loss allowance on the portfolio of trade receivables. This is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future.

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.



Nykaa E-retail Private Limited
Notes to Standalone Financial Statements as at and for the year ended March 31 2021
Amounts in Indian Rupees

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. Amendment to Ind AS 116 – Leases

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

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

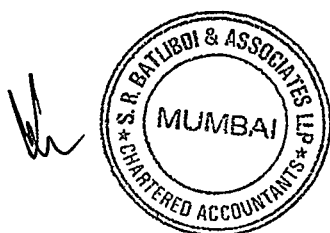
Balance Sheet:

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

Statement of profit and loss:

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

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



MS



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

4A Property, plant and equipment

	Computer Equipment	Furniture & Fixtures	Equipments	Leasehold improvements	Total
Cost					
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
Additions	466.07	216.45	92.78	17.81	793.11
Disposals/transfers	-	-	-	-	-
At 31 March 2021	1,922.24	1,728.24	1,065.43	412.96	5,128.87
Depreciation					
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/adjustments	-	-	(1.57)	-	(1.57)
At 31 March 2020	660.60	230.33	295.29	166.57	1,352.79
Depreciation charge for the year	408.50	157.39	191.71	54.51	812.11
Disposals/adjustments	-	-	-	-	-
At 31 March 2021	1,069.10	387.72	487.00	221.08	2,164.90
Net Book Value					
At 31 March 2021	853.14	1,340.52	578.43	191.88	2,963.97
At 31 March 2020	795.57	1,281.46	677.36	228.58	2,982.97

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

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

4B Right of use assets

	Right of Use Assets	Total
Cost		
At 31 March 2019	3,987.93	3,987.93
Additions	2,451.25	2,451.25
Disposals/transfers	-	-
At 31 March 2020	6,439.18	6,439.18
Additions	691.53	691.53
Disposals/transfers	(266.82)	(266.82)
At 31 March 2021	6,863.89	6,863.89
Depreciation		
At 31 March 2019	945.87	945.87
Depreciation charge for the year	1,539.60	1,539.60
Disposals/adjustments	-	-
At 31 March 2020	2,485.47	2,485.47
Depreciation charge for the year	1,718.22	1,718.22
Disposals/adjustments	(111.27)	(111.27)
At 31 March 2021	4,092.42	4,092.42
Net Book Value		
At 31 March 2021	2,771.47	2,771.47
At 31 March 2020	3,953.71	3,953.71



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

5A Intangible assets

	Catalogue	Business application development cost	Computer Softwares	Total
Cost or deemed cost (gross carrying amount)				
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	2,645.57	122.11	3330.07
Additions	9.91	646.20	130.08	786.18
Disposals/transfers	-	-	-	-
At 31 March 2021	572.30	3,291.77	252.19	4,116.25
Amortisation				
At 31 March 2019	338.38	944.58	49.09	1,332.05
Amortisation charge for the year	144.64	663.96	32.68	841.28
Disposals/adjustments	-	-	-	-
At 31 March 2020	483.02	1,608.54	81.77	2,173.33
Amortisation charge for the year	89.28	583.49	39.53	712.30
Disposals/adjustments	-	-	-	-
At 31 March 2021	572.30	2,192.03	121.30	2,885.63
Net Book Value				
At 31 March 2021	-	1,099.74	130.89	1,230.63
At 31 March 2020	79.37	1,037.03	40.34	1,156.74

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

5B Capital work in progress and Intangible assets under development

Intangible assets under development

At 1 April 2019	-
Addition	56.85
Capitalisation	-
At 31 March 2020	56.85
Addition	38.79
Capitalisation	56.88
At 31 March 2021	38.76

Capital work in progress

At 1 April 2019	-
Addition	-
Capitalisation	-
At 31 March 2020	-
Addition	149.85
Capitalisation	-
At 31 March 2021	149.85

Intangible assets under development include cost for development of business to business platform.

Capital work in progress comprises of expenses incurred towards improvement to leasehold premises.

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



Nykaa E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021

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

6A Loans (non-current)

	At 31 March 2021	At 31 March 2020
Security deposits (unsecured, considered good)	249.85	36.08
(Security deposit is given for the terms between 3 to 5 years)	249.85	36.08

6B Other financial assets (non-current)

	At 31 March 2021	At 31 March 2020
Sublease net investments	109.12	148.60
	109.12	148.60

7 Income Taxes

The major components of income tax expense for the years ended 31 March 2021 and 31 March 2020 are:

A Statement of profit and loss:

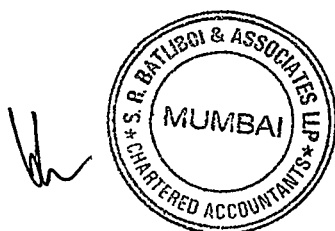
	For the year ended 31 March 2021	For the year ended 31 March 2020
i. Profit or loss section:		
Current income tax:		
Current income tax charge	3,982.72	583.19
Adjustments in respect of current income tax of previous year	(156.92)	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,005.67)	363.83
Income tax expense/(income) reported in the statement of profit or loss	2,820.13	947.02
ii. OCI section - Deferred tax related to items recognised in OCI during in the year:		
Tax Expenses/(Income) on remeasurements of defined benefit plans	(0.42)	(4.52)
Income tax expense charged/(credited) to OCI	(0.42)	(4.52)

B Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2021 and 31 March 2020:

	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit before tax	11,946.28	2,691.78
Applicable tax rate	25.17%	25.17%
Tax using the Company's domestic tax rate	3,006.88	677.52
Effect of:		
Interest expense on loan from subsidiary	4.50	14.11
Commission on financial guarantee	134.16	120.94
Interest on late payment of taxes	78.45	5.36
Tax expense/(credit) relating to earlier years	(156.92)	-
Others	(90.02)	129.08
Income tax expenses as per statement of profit and loss	2,977.05	947.02
Current tax expense	3,982.72	583.19
Deferred tax reversal/(provision)	(1,005.67)	363.83
Tax expense recognized in the statement of profit and loss	2,977.05	947.02
Effective tax rate	24.92%	35.18%

C Gross movement in the current income tax assets/(liabilities) for the years ended March 31, 2021 and March 31, 2020:

Particulars	At 31 March 2021	At 31 March 2020
Net income tax asset/(liability) at the beginning	412.42	591.53
Income tax paid	787.13	404.08
Current income tax expense	(3,982.72)	(583.19)
Income tax (expense)/credit for earlier years	156.92	-
Net income tax asset/(liability) at the end	(2,469.33)	412.42
Income tax asset	-	591.53
Income tax liability	(2,469.33)	(179.11)
Income tax asset / (liability) (net)	(2,469.33)	412.42



Nykna E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021

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

D Deferred tax:

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

Particulars	At 31 March 2021	At 31 March 2020
Impact of difference between tax depreciation / amortisation and depreciation / amortisation as per books	212.83	45.62
Provision of doubtful receivables	485.67	5.80
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	406.34	209.85
Impact of difference in liabilities as per books and tax	791.59	952.93
Deferred tax assets (A)	1,896.43	1,214.20
Impact of difference between tax depreciation / amortisation and depreciation / amortisation as per books	697.58	-
Impact of difference in assets as per books and tax	37.56	1,059.00
Deferred tax liabilities (B)	735.14	1,059.00
Deferred tax liabilities (C=A-B)	1,161.29	155.20

ii. Reconciliation of deferred tax assets (net):

	At 31 March 2021	At 31 March 2020
Opening balance as of 1 April	155.20	514.51
Tax income/(expense) during the period recognised in profit or loss	1,005.67	(363.83)
Tax income/(expense) during the period recognised in OCI	0.42	4.52
Closing balance as at 31 March	1,161.29	155.20

8 Other non-current assets

	At 31 March 2021	At 31 March 2020
Capital Advance	76.61	-
	76.61	-

9 Inventories

	At 31 March 2021	At 31 March 2020
(Valued at lower of cost and net realisable value)		
Stock in trade	34,801.92	29,568.29
Packing material	722.87	370.68
	35,524.79	29,938.97

During the year ended 31 March 2021, INR 1332.32 lakhs (31 March 2020: INR 560.60 lakhs) is recognised as provision taking into account various factors, including obsolescence of material, unserviceable items and ageing of material.

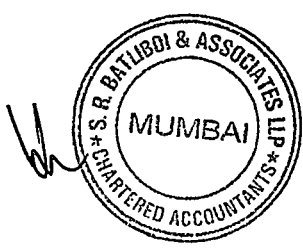
10 Trade receivables (unsecured)

	At 31 March 2021	At 31 March 2020
Trade receivables - Considered Good	7,953.61	8,995.83
Trade Receivables which have significant increase in credit risk	623.74	23.06
Less: Allowances for expected credit loss (Refer note no 42B)	(623.74)	(23.06)
	7,953.61	8,995.83

(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 0 to 90 days



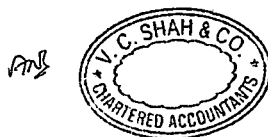
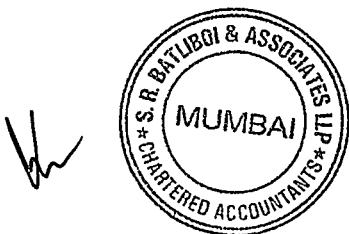
Nykaa E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021

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

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
11 Cash and cash equivalents		
Cash on hand	4.72	5.23
Balances with banks		
- in current accounts	2,818.04	516.71
Cheques on hand	3.17	-
	<u>2,825.93</u>	<u>521.94</u>
12 Bank balance other than cash and cash equivalents		
Margin money deposits with bank (held as lien by bank against guarantees)	269.26	35.92
Deposits with original maturity for more than 3 months but less than 12 months	-	5.61
	<u>269.26</u>	<u>41.53</u>
13 Loans (current)		
(measured at amortised cost, except otherwise stated)		
Security Deposits (unsecured)		
Considered Good	296.28	440.90
	<u>296.28</u>	<u>440.90</u>
14 Other financial assets (current)		
Sublease net investments	40.27	105.15
Unbilled receivable	1,160.93	1,470.87
Receivable from COD/Prepaid	2,340.21	1,038.70
Interest accrued on deposit but not due	4.89	2.28
	<u>3,546.30</u>	<u>2,617.00</u>
14A Movement in Interest accrued on deposit but not due		
Particulars	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Opening balance	2.28	-
Interest accrued during the year	10.41	2.60
Receipt of interest during the year	(7.80)	(0.32)
Closing balance	<u>4.89</u>	<u>2.28</u>
15 Other current assets		
Advance against expenses (unsecured, considered good)	338.91	201.22
Advance to suppliers (unsecured, considered good)	1,696.01	3,715.91
Advance given to employees	-	10.64
Prepaid expenses	491.72	746.76
Balance with statutory / government authorities	708.20	689.87
	<u>3,234.84</u>	<u>5,364.40</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 31 March 2021

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

16 Share Capital

i) Authorised Share Capital

1,20,00,000 (March 31, 2020: 1,20,00,000) equity shares of Rs 10/- each

At 31 March 2021	At 31 March 2020
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

95,10,000 (March 31, 2020: 95,10,000) equity shares of Rs 10/- each

At 31 March 2021	At 31 March 2020
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:

FSN E-Commerce Ventures Private Limited (Holding Company)

95,10,000 (March 31, 2020: 95,10,000) equity shares of Rs 10/- each

At 31 March 2021	At 31 March 2020
951.00	951.00

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

Name of the shareholder

FSN E-Commerce Ventures Private Limited (Holding Company)

As at 31 March 2021		As at 31 March 2020	
No. of shares	% holding	No. of shares	% holding
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.

17 Other equity

a. Retained earnings

Opening balance
Add: Profit/(Loss) during the year
Closing balance

At 31 March 2021	At 31 March 2020
(1,400.60)	(3,145.36)
9,126.15	1,744.76
7,725.55	(1,400.60)

b. Other comprehensive income

Opening balance
Add : Additions during the year
Closing balance

(16.29)	(2.85)
2.10	(13.44)
(14.19)	(16.29)

c. Capital reserve

Opening balance
Add : Additions during the year
Closing balance

173.68	173.68
-	-
173.68	173.68

d. Capital Contribution from Parent

Opening balance
Add : Additions during the year
Closing balance

2,044.99	1,186.11
889.04	858.88
2,934.03	2,044.99

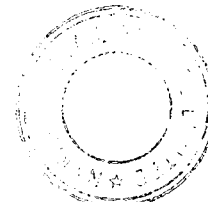
Note :

- Retained Earnings are the profits that the Company has earned till date, less any dividends or other distributions paid to shareholders.
- Other Comprehensive Income represents the cumulative gains and losses arising on remeasurement of defined employee benefit plan.
- Capital Reserve: 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.
- 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: fair valuation of loans taken from parent

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



Nykna E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021

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

18 Borrowings - current

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
(Secured - carried at amortized cost)		
Working capital loan from Banks	12,929.63	19,039.32
	<u>12,929.63</u>	<u>19,039.32</u>

- 18.1 Working Capital / cash credit facilities from banks are secured against first charge on all current assets and moveable property, plant and equipment 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 21,619.32 lakhs (March 31, 2020 - INR 21,510.97 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 2021, the Company had available INR 12916.00 lakhs (31 March 2020: INR 7,610.68 lakhs) of undrawn committed borrowing facilities.

19 Lease liabilities (non-current)

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Payable for lease liabilities	1,980.74	3,785.91
	<u>1,980.74</u>	<u>3,785.91</u>

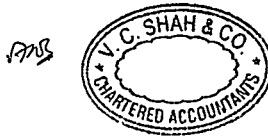
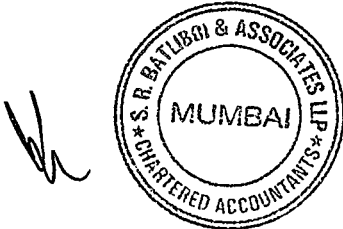
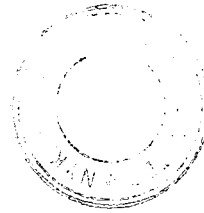
20 Lease liabilities (current)

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
(Measured at amortised cost, except otherwise stated)		
Current maturities of lease liabilities	1,164.24	587.30
	<u>1,164.24</u>	<u>587.30</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 9.40% for the year ended 31 March 2021 (11.50% for the year ended 31 March 2020.)

21 Provisions

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Non-current provisions		
Employee benefits - gratuity (refer note 35A)	446.66	331.98
	<u>446.66</u>	<u>331.98</u>
Current Provisions		
Employee benefits - gratuity (refer note 35A)	78.30	4.04
Employee benefits - compensated absence (refer note 35B)	518.30	-
	<u>596.60</u>	<u>4.04</u>



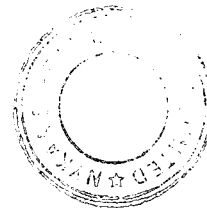
Nykaa E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

22 Trade payables		<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Total outstanding dues of Micro enterprise and small enterprises		608.70	798.27
Total outstanding dues of creditors other than Micro enterprises and small enterprises		25,369.81	25,843.95
		<u>25,978.51</u>	<u>26,642.22</u>
22.1 (For details of trade payable with related parties refer note 36 on related party disclosures)			
22.2 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006			
The identification of Micro, Small and Medium Enterprises is based on the Management's knowledge of their status. Disclosure is based on the information available with the Company regarding the status of the suppliers as defined under "The Micro, Small and Medium Enterprises Development Act, 2006".			
		<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
a) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year		-	-
b) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.		-	-
c) The amount of interest accrued and remaining unpaid at the end of each accounting year		0.90	-
d) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006		-	-
		<u>0.90</u>	<u>-</u>
23 Other financial liabilities			
		<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Employee related liabilities		31.96	872.88
Accrued expenses		2,689.28	1,045.21
Creditors for capital goods		170.53	66.54
Interest accrued but not due		49.36	57.55
Current maturity of long term debt		-	755.70
		<u>2,941.13</u>	<u>2,797.88</u>
23.1 For details of salary payable to KMP's refer note 36 on related party disclosures			
23.2 Current maturities of long term debt - 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			
23.3 Maximum amount of loan outstanding during the year was INR 7,057.11 lakhs (March 31, 2020 - INR 919.56 lakhs)			
23.4 Movement in Interest accrued but not due and Finance charge:			
<u>Particulars</u>		<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Opening balance		57.55	9.45
Interest and Finance charge accrued during the year		1,533.65	2,350.67
Payment of interest and Finance charge during the year		(1,541.84)	(2,302.57)
Closing balance		<u>49.36</u>	<u>57.55</u>
24A Contract liabilities			
		<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Deferred revenue (Provision for Reward points)		569.46	497.71
Advance from customers		1,048.09	878.95
		<u>1,617.55</u>	<u>1,376.66</u>
24A.1 Movement in provision for reward points:			
<u>Particulars</u>		<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Opening balance		497.71	379.99
Provision made during the year		2,124.38	1,870.41
Provision utilised during the year		(2,052.63)	(1,752.69)
Closing balance		<u>569.46</u>	<u>497.71</u>
24B Other current liabilities			
		<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Statutory dues payable		508.11	505.04
		<u>508.11</u>	<u>505.04</u>



PNS



Nykaa E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021

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

25 Revenue from operations

	For the year ended 31 March 2021	For the year ended 31 March 2020
A. Sale of product	1,97,895.50	1,41,400.56
B. Sale of services		
Marketing support revenue	21,266.11	18,603.94
Income from marketplace services	1,103.97	152.13
C. Other Operating Revenue		
Logistics services income (shipping and delivery charges)	-	37.43
Gift card expiration	94.67	20.83
	<u>2,20,360.25</u>	<u>1,60,214.89</u>
Within India	2,20,360.25	1,59,946.28
Outside India	-	268.61
	<u>2,20,360.25</u>	<u>1,60,214.89</u>

26 Other income

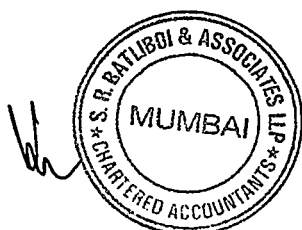
	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest Income on:		
Fixed deposit	10.41	2.60
Security deposit	57.27	44.89
Net Investment sublease	21.81	23.40
Foreign Exchange Gain	25.39	-
Miscellaneous income	25.55	58.44
	<u>140.43</u>	<u>129.33</u>

27 Purchase of traded goods

	For the year ended 31 March 2021	For the year ended 31 March 2020
Purchases of traded goods	1,50,536.13	1,13,373.96
	<u>1,50,536.13</u>	<u>1,13,373.96</u>

28 Changes in inventories of finished goods and Stock-in -Trade

	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening balance	29,568.29	18,544.87
Closing balance	34,801.92	29,568.29
	<u>(5,233.63)</u>	<u>(11,023.42)</u>



Nykaa E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021

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

29 Employee benefits expense

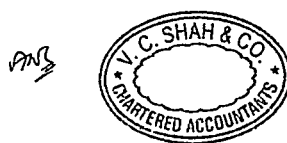
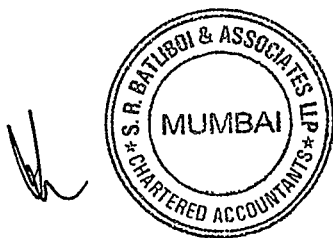
	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries, Wages and Bonus	16,324.96	11,846.26
Contribution to provident funds	219.39	207.62
Gratuity expenses (Refer Note 35A)	213.97	157.01
Compensated absences expenses (Refer Note 35B)	580.78	-
ESOP expenses (Refer Note 43)	356.04	249.55
Staff welfare expenses	120.24	127.95
	17,815.38	12,588.39

30 Depreciation and amortization expense

	For the year ended 31 March 2021	For the year ended 31 March 2020
Depreciation of property, plant and equipment (refer note 4A)	812.11	655.55
Depreciation of Right-of-use assets (refer note 4B)	1,718.22	1,539.60
Amortisation of Intangible assets (refer note 5A)	712.30	841.28
	3,242.63	3,036.43

31 Finance costs

	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest expenses borrowings	1,442.00	2,289.03
Interest expenses on lease liabilities	430.98	470.29
Commission on financial guarantee	533.00	480.50
Other finance charge	91.65	61.64
	2,497.63	3,301.46



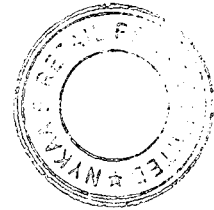
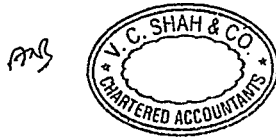
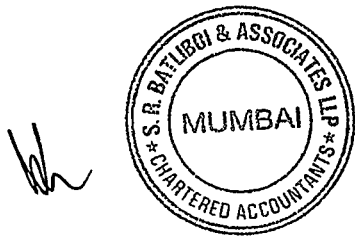
Nykaa E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021

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

32 Other Expenses

	For the year ended 31 March 2021	For the year ended 31 March 2020
Freight	12,682.38	12,328.94
Marketing & advertisement expenses	12,230.71	13,924.79
Consumption of packing materials	4,103.83	3,214.80
Web & technology expenses	3,177.07	3,020.73
Brand usage fees	2,129.48	-
Payment gateway charges	1,368.39	685.64
Allowance for expected credit loss	600.68	2.94
Rates & taxes	570.94	243.85
Selling expenses	522.41	735.50
Legal and professional fees	367.75	131.79
Security expenses	267.98	283.87
Printing & stationery	234.39	303.80
Administrative & other expenses	231.47	271.81
Electricity charges	220.55	238.67
Insurance expenses	197.48	49.57
Communication expenses	166.85	136.43
Recruitment expenses	163.18	216.60
Repairs & maintenance	118.14	65.20
Travelling & conveyance expenses	107.76	267.43
Rent and maintenance expense	81.30	65.50
Bank charges	66.57	72.61
Office expenses	39.66	75.99
Foreign exchange loss	-	21.92
Auditors remuneration :		
Audit fees	36.00	10.45
Taxation matters	7.00	6.78
Expenditure towards corporate social responsibility (CSR) activities (Refer note: 46)	4.29	-
	39,696.26	36,375.62



Nykaa E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021
(All amounts in Rs. lakhs, unless otherwise stated)

33 Revenue from Contracts with Customers

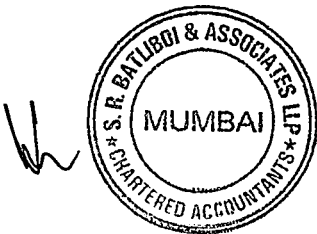
a. Disaggregation of revenue from contracts with customers

The Company derives its major revenue from sale of products and sale of products by selected platforms (income for marketplace services), which is a single line of business. The Company also derives revenue by providing advertisement services to its suppliers which is related to sale of product business.

b. Contract Balances

Particulars	At 31 March 2021	At 31 March 2020
Trade Receivables	7,953.61	8,995.83
Contract Liabilities	1,617.55	1,376.66
Contract Price	2,20,119.36	1,59,848.54
Revenue recognized in the period from:		
Revenue recognized in the current year from contract liability:		
Advance from Customer	878.95	630.32
Reward Point	497.71	379.99
Revenue deferred in the current year towards unsatisfied performance obligation:		
Advance from Customer	(1,048.09)	(878.95)
Reward Point	(569.46)	(497.71)
Revenue from operations	2,20,360.25	1,60,214.89

Refer accounting policy 2(h) for satisfaction of performance obligation and when the revenue is recognised



Nykaa E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021

(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 3 to 5 years

The Company's obligations under its leases are secured by the lessor's title to the leased assets.

There are several lease contracts that include extension and termination options which are further discussed below.

Refer note 4B for carrying value of right of use assets.

Set out below are the carrying value of lease liabilities and the movement during the period:

	As at 31 March 2021	As at 31 March 2020
Opening balance as at April 1	4,373.21	3,104.97
Add Addition	692.90	2,730.39
Add Accretion of interest	430.98	470.29
Less Deletion due to closure	166.30	-
Less Rent waiver (refer note 3B(a))	38.27	-
Less Payments	2,147.54	1,932.43
Closing balance as on March 31	<u>3,144.98</u>	<u>4,373.21</u>
Current	1,164.24	587.30
Non-current	1,980.74	3,785.91
	<u>3,144.98</u>	<u>4,373.21</u>

The maturity analysis of lease liability is disclosed in note 42

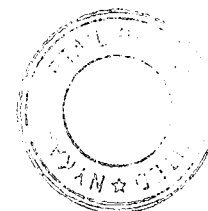
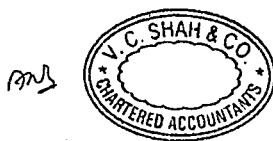
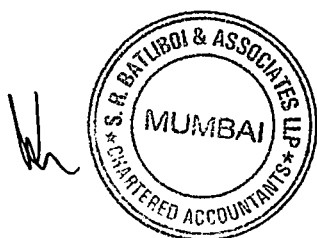
The effective interest rate for lease liabilities is 9.40% as on 31 March 2021 (11.50% as on 31 March 2020)

The following amount are recognised in profit and loss

	For the year ended 31 March 2021	For the year ended 31 March 2020
Depreciation expenses of right of use assets	1,718.22	1,539.60
Interest expenses on lease liabilities	430.98	470.29
	<u>2,149.20</u>	<u>2,009.89</u>

The Company had total cash outflow for leases of INR 2,147.54 lakhs (March 31, 2020 : INR 1,932.43 lakhs)

The Company earned rental income from sublease of INR 158.06 lakhs (March 31, 2020 : INR 154.74 lakhs)



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

35A Defined Benefit Plan and Other Long Term Employee Benefit Plan

I) Defined Contribution Plan

During the year, the Company has made contribution/provision to provident fund stated under defined contribution plan amounting to INR 219.39 lakhs (previous year INR 207.62 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, 2021 and March 31, 2020:

i. Amount to be recognised in balance sheet

Particulars	At 31 March 2021	At 31 March 2020
Present value of defined benefit obligation	524.96	336.02
Funded status – deficit / (surplus)	524.96	336.02
Net liability recognised in balance sheet	524.96	336.02

ii. Changes in the present value of defined benefit obligation

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening defined benefit obligation	336.02	161.05
Current service cost	192.13	144.53
Interest cost	21.84	12.48
Actuarial (Gains)/Losses in obligation for year ended due to changes in demographic/financial assumptions	31.79	39.69
Actuarial (Gains)/Losses in obligation for year ended due to changes in Experience adjustments	(33.47)	(21.73)
Benefit paid	(23.35)	-
Closing defined benefit obligations	524.96	336.02

iii. Net defined benefit liability/ (asset) reconciliation

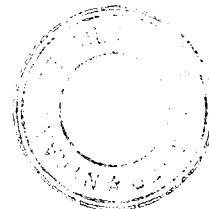
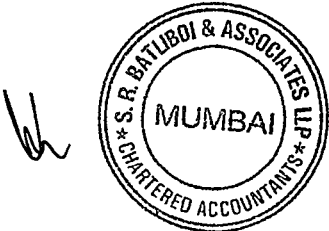
Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening net defined benefit liability/ (asset)	336.02	161.05
Defined benefit cost included in P&L	213.97	157.01
Total re-measurements included in OCI	(1.68)	17.96
Employer contributions	-	-
Employer direct benefit payments	(23.35)	-
Closing net defined benefit liability/ (asset)	524.96	336.02

B Amount for the year ended March 31, 2021 and March 31, 2020 recognised in the Statement of Profit and Loss under employee benefit expenses and other comprehensive income

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Current service cost	192.13	144.53
Interest expenses	21.84	12.48
The total amount recognised in profit and loss account	213.97	157.01
Actuarial (Gains)/Losses in obligation for year ended due to changes in demographic/financial assumptions	31.79	39.69
Actuarial (Gains)/Losses in obligation for year ended due to changes in Experience adjustments	(33.47)	(21.73)
The total amount recognised in other comprehensive income (OCI)	(1.68)	17.96

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Mortality Table	IALM (2012-14)	IALM (2012-14)
Discount rate:	6.25%	6.50%
Future salary increases*	6.50%	6.50%
Withdrawal rates	15.00%	1.00%
IALM - Indian Assured Lives Mortality (Ultimate)	IALM (2012-14)	IALM (2012-14)



Nykaa E-Retail Private Limited

Notes to the financial statements for the year ended 31 March 2021

(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:

	At 31 March 2021	At 31 March 2020
Within the next 12 months (next annual reporting period)	-	244.71
Between 2 and 5 years	-	-
Between 5 and 10 years	93.11	319.86
Beyond 10 years	39,767.54	29,729.98
Total expected payments	39,860.65	30,294.55

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 5 years (31 March 2020: 5 years).

E Sensitivity analysis

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

Particulars	At 31 March 2021	At 31 March 2020
Discount rate (-/+ 1%)		
Decrease by 100 basis points	556.38	411.84
Increase by 100 basis points	496.95	276.62
Future salary increase (-/+ 1%)		
Decrease by 100 basis points	496.76	280.98
Increase by 100 basis points	555.99	405.34

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

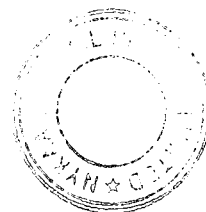
These plans typically expose the Company to actuarial risks such as: investment risk, interest risk, longevity risk and salary risk.

(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, 2021
(All amounts in Rs. lakhs, unless otherwise stated)

35B Compensated absences benefit plan:

The Company has a policy on compensated absences for its employees. In the current year, the Company has changed the policy allowing employees to accumulate leaves subject to certain limits and carry forward into subsequent years for availment/encashment. Accordingly, this is the first year where the Company has made a provision for compensated absences as per the leave policy existing as on March 31, 2021. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at the Balance sheet date using the project unit credit method.



Nykaa E-Retail Private Limited
Notes to the financial statements for the year ended March 31, 2021
(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

Directors and Key Management Personnel (KMP)	
Mr Arvind Agarwal	Director (Joined w.e.f. May 17, 2021)
Ms. Advaita Nayar	Director (Resigned w.e.f. May 17, 2021)
Mr Anshu Nayar	Director
Mr Pranab Barua	Director
Mrs. Folguni Nayar	Chief Executive Officer
Mr Pratik Bhujade	Company Secretary

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 March 31, 2021	Outstanding balances as on March 31, 2021	Transactions during the year ended March 31, 2020	Outstanding balances as on March 31, 2020
Holding company					
FSN E-Commerce Ventures Private Limited					
	Discount Income	(2,646.85)	-	(1,148.73)	-
	Banner Advertisement Income	(1,936.75)	-	(1,581.10)	-
	Purchases	13,822.45	(1,610.47)	12,283.15	546.20
	Reimbursement of Expenses	3,992.96	-	2,085.64	-
	Rent Expenses	181.02	-	50.20	-
	Sale of Property, Plant and Equipment	-	-	(2.39)	-
	Purchase of Property, Plant and Equipment	1.77	-	-	-
	Rent Income	(6.11)	-	(6.11)	-
	Brand Usage Fees	2,129.48	-	-	-
	Interest Expenses	105.47	-	0.99	-
	Lease Liability	-	-	-	(183.54)
	Notional Interest Expense- Lease	8.12	-	32.70	-
	Net Investment- Sublease	-	0.28	-	3.31
	Notional Interest Income- Sublease	(0.17)	-	(0.72)	-
	Commission on Financial Guarantee	533.00	-	480.50	-
	Interest Expenses on loan- Notional	55.57	-	56.08	-
	Loan taken (net)	774.00	-	161.53	(755.70)
	ESOP cost	356.04	-	249.55	-
	Other Equity Contribution	(889.04)	(2,934.03)	(858.88)	(2,044.99)
Fellow subsidiary					
FSN Brands Marketing Private Limited					
	Sales	(3,419.74)	-	(2,282.10)	2,033.75
	SOH/ SKU Commercialization Expenses	910.16	-	186.98	-
	Banner Advertisement Income	(454.64)	-	(316.38)	-
	Commission Expense (Endless Aisle)	26.72	-	40.83	-
	Hyperlocal commission income	(198.47)	-	-	-
	Rent Income	(60.42)	-	(25.50)	-
	Discount Income	(716.90)	-	(53.94)	-
	Discount Expenses	149.71	-	27.29	-
	Purchases	7,941.79	(3,146.73)	3,840.41	-
	Recovery of Reimbursement of Expenses	(207.16)	-	-	-
	Net Investment- Sublease	-	147.30	-	185.26
	Notional Interest Income- Sublease	(19.28)	-	(8.13)	-
Nykaa-KK Beauty Private Limited					
	Purchases	1,864.33	(257.96)	740.23	199.38
	Discount Income	(243.34)	-	(21.34)	-
	Recovery of Reimbursement of Expenses	-	-	(59.89)	-
Nykaa Fashion Private Limited					
	Recovery of Reimbursement of Expenses	(2,143.22)	1,273.92	(625.24)	3.80
	Wellness Marketplace Commission	(562.06)	-	-	-
	Listing fees	(341.54)	-	-	-
	Sales	-	-	(29.29)	-
	Rent Income	(97.64)	-	(129.24)	-
	Net Investment- Sublease	-	1.80	-	65.18
	Notional Interest Income- Sublease	(2.30)	-	(14.55)	-
FSN International Private Limited					
	Listing fees	(0.11)	-	-	-



Ans



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

Particulars	Nature of transactions	Transactions during the year ended March 31, 2021	Outstanding balances as on March 31, 2021	Transactions during the year ended March 31, 2020	Outstanding balances as on March 31, 2020
		Amount	Amount	Amount	Amount
Company in which key management personnel have significant influence Golfand Developers Private Limited	Rent & maintenance expenses	260.16	-	246.30	(0.47)
	Security deposit	-	102.19	-	90.99
	Notional Interest income- Security Deposit	(11.20)	-	(9.99)	-
	Lease liability	-	(76.24)	-	(284.64)
	Notional interest expense- Lease	22.12	-	44.00	-
Key Management Personnel* Folguni Nayar	Remuneration	137.05	-	206.52	(7.94)

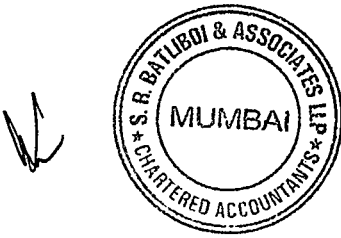
Figures in brackets indicates payables and income

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables

* The Company do not have any other transaction with key managerial person than that is disclosed above.

Amount paid to KMP do not include the provisions made for gratuity as it is determined on an actuarial basis for the Company as a whole. Similarly, expenses for compensated absences are not included in the above table as the same is also determined on an actuarial basis for the Company as a whole.



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

	For the year ended 31 March 2021	For the year ended 31 March 2020
37 Earnings per share (EPS)		
Basic EPS		
Profit/(loss) after tax as per statement of profit and loss (in lakhs) (A)	9,126.15	1,744.76
Basic weighted average number of equity shares outstanding (B)	95,10,000	95,10,000
Basic earning per share in Rupees (C=A/B)	95.96	18.35

38 Commitments and contingencies

A Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - INR 146.30 as at March 31, 2021 (March 31, 2020 - Nil)

The Company has various lease contracts that have not yet commenced as at 31 March 2021. The future lease payments for these non-cancellable lease contracts are INR 317.05 lakhs within one year, INR 327.40 lakhs within next five years and INR Nil lakhs thereafter.

B Contingent liabilities (not provided for)

Particulars

	At 31 March 2021	At 31 March 2020
Claims against the Company, not acknowledged as debts		
Disputed Income Tax matters (including interest up to the date of demand, if any) [Refer note (i)]	743.66	-
Disputed indirect tax matters matters (including interest up to the date of demand, if any) [Refer note (ii)]	8.90	-
Bank guarantee [Refer note (iii)]	105.00	306.00
	857.56	306.00

Notes:

- The Company has received income tax assessments order for financial years 2017-18 with demands amounting to Rs.743.66 lakhs on account of certain disallowances/ adjustments made by income tax department. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Company is in the process of filling the appeal with the appropriate authority.
- The Company has received VAT assessments order for financial years 2016-17 and with demands amounting to Rs.50.18 lakhs on account of certain input disallowances/adjustment made by VAT department. The Company has deposited Rs 41.28 lakhs in financial year 2021-22, and for Rs 8.90 lakhs the management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements.
- Bank guarantees are provided against vendor liabilities

39 Segment information:

Considering Company's aggressive expansion plan for driving synergy across fulfilment models, sales channels and product categories, it required change in current review mechanism. The Company has identified Board of directors and Group CEO as its CODM who reviews and allocates resources based on Omni business and Omni channel strategy, which in the terms of Ind AS 108 on 'Operating Segments' constitutes a single reporting segment.

i) No single customer contributed 10% or more to Company's revenue.

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

a) Revenue from operations

Geography	For the year ended 31 March 2021	For the year ended 31 March 2020
Within India	2,20,360.25	1,59,946.28
Outside India	-	268.61

b) Non-current operating assets:

All non-current assets of the Company are located in India.



Nykaa E-Retail Private Limited
 Notes to the financial statements for the year ended March 31, 2021
 (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 and other borrowings and other financial liabilities are reasonable approximations of their fair values due to the short maturities of these instruments.

b. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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.

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 31 March 2021	As at 31 March 2020
Asset carried at amortised cost		
Loans	546.13	476.98
Trade receivables	7,953.61	8,995.83
Other financial assets	3,655.42	2,765.60
Cash and bank balances	3,095.19	521.94
Liabilities at amortised cost		
Borrowings	12,929.63	19,039.32
Trade payables	25,978.51	26,642.22
Other financial liabilities	2,941.13	2,797.88
Lease liabilities	3,144.98	4,373.21

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Nykaa E-Retail Private Limited
Notes to the financial statements for the year ended March 31, 2021
(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. For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company.

The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Company consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2021 and March 31, 2020.

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

		As at 31 March 2021	As at 31 March 2020
Gross debt		12,929.63	19,039.32
Less: Cash and cash equivalents		(2,825.93)	(521.94)
Net debt	(A)	10,103.70	18,517.38
Total Equity	(B)	11,770.07	1,752.78
Net gearing ratio	(A)/(B)	0.86	10.56

42 Financial risk management objectives and policies

The Company's principal financial liabilities comprises loan from holdig 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

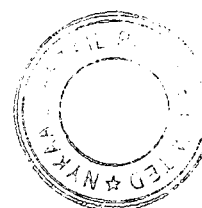
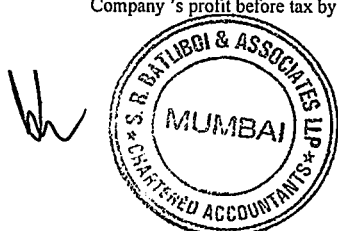
Since the business of the Company doesn't involves material foreign currency transactions, its exposure to foreign currency changes is not material.

A.2 Product price risk

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

A.3 Interest rate risk

The Company is exposed to interest rate risk primarily due to borrowings having floating interest rates. The Company uses available working capital limits for availing short-term working capital demand loans with interest rates negotiated from time to time so that the Company has an effective mix of fixed and variable rate borrowings. Interest rate sensitivity analysis shows that an increase / decrease of fifty basis points in floating interest rates would result in decrease / increase in the Company's profit before tax by approximately INR 64.65 lakhs (2020: 98.98 lakhs).



Nykaa E-Retail Private Limited
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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. Also the Company have a simplified approach to determine impairment loss allowance on the portfolio of trade receivables. This is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. Accordingly the credit risk is cover by the company.

Refer accounting policy 2(g)(IV) for expected credit loss on trade receivables.

Trade Receivables (Ageing)	As at 31 March 2021			As at 31 March 2020		
	Gross	Allowance	Net	Gross	Allowance	Net
Less than 180 days	7,953.61	1.59	7,952.02	8,995.83	1.80	8,994.03
More than 180 days	623.74	622.15	1.59	23.06	21.26	1.80
Total	8,577.35	623.74	7,953.61	9,018.89	23.06	8,995.83

Movement in allowances for expected credit loss:

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance	23.06	20.12
Provision made during the year	600.68	2.94
Provision written off during the year	-	-
Closing balance	623.74	23.06

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 2021			As at 31 March 2020		
	< 1 year	1 to 5 years	Total	< 1 year	1 to 5 years	Total
Loan from holding company	-	-	-	-	700.13	700.13
Working capital loan from bank	12,929.63	-	12,929.63	19,039.32	-	19,039.32
Trade payables	25,978.51	-	25,978.51	26,642.22	-	26,642.22
Salary payable	31.96	-	31.96	872.88	-	872.88
Lease liabilities	1,443.95	2,309.03	3,752.99	2,185.82	3,791.26	5,977.07
	40,384.06	2,309.03	42,693.09	48,740.24	4,491.38	53,231.63



Nykaa E-Retail Private Limited
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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 356.04 lakhs (March 31, 2020: 249.55 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, 2021	As at March 31, 2020
	No. of Options	No. of Options
Outstanding at the beginning of the year	1,53,886	2,70,280
Exercised during the year	(1,42,280)	(1,16,394)
Outstanding at the end of the year	11,606	1,53,886
Excerciseable at the end of the year	11,606	1,08,302
Exercise price range	INR 100 - 650	INR 100 - 650
Weighted average remaining contractual life (in years)	2.45	1.74

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

Particulars	As at March 31, 2021	As at March 31, 2020
	No. of Options	No. of Options
Outstanding at the beginning of the year	87,265	68,240
Granted during the year	36,510	23,200
Lapsed during the year	(120)	(310)
Forfeited during the year	(6,925)	(690)
Transfer during the year	1,000	-
Exercised during the year	(26,179)	(3,175)
Outstanding at the end of the year	91,551	87,265
Excerciseable at the end of the year	26,571	45,020
Exercise price range	INR 650 - 6,059.56	INR 650 - 3,862.21
Weighted average remaining contractual life (in years)	4.81	3.54

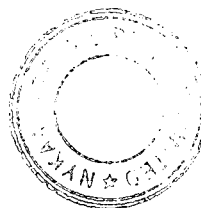
c Fair value of options granted

The fair value of each option is estimated on the date of grant based on the following assumptions:

	ESOS 2012			
	Tranche I	Tranche II	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	1.50	2.50	3.50	4.50
Risk free interest rate (%)	6.32% to 7.95%	6.36% to 8.00%	6.44% to 8.00%	6.41% to 7.92%
Volatility (%)	23.03% to 28.17%	23.16% to 28.24%	23.38% to 27.91%	24.00% to 28.56%
Market price on date of grant	97.01 - 650.21			
Fair Value	15.15 - 149.89	22.05 - 187.26	28.49 - 219.11	37.45 - 396.31
	ESOS 2017			
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	2.67 - 3.22	3.27 - 3.80	3.92 - 4.26	4.59 - 5.09
Risk free interest rate (%)	6.32% to 7.96%	6.32% to 7.96%	6.43% to 8.01%	6.45% to 8.04%
Volatility (%)	22.76% to 30.67%	22.76% to 29.59%	24.42% to 29.49%	24.59% to 28.77%
Market price on date of grant	650.21 - 6,059.56			
Fair Value	155.42 - 1726.78	175.88 - 1887.16	203.44 - 2017.15	233.56 - 2113.45

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The volatility is based on annualised standard deviation of the continuously compounded rates of return based on the peer companies and competitive stocks over a period of time. The Company has determined the market price on grant date based on latest equity valuation report available with the company preceding the grant date.

The weighted average share price at the date of exercise of options exercised during the year was INR 486.21 (March 31, 2020 INR 385.69)



d Modification during the year

On April 21, 2020, the company increased the exercise period of stock options under the employee stock option scheme- ESOS 2012 and ESOS 2017 from 3 years to 4 years. The incremental fair value together with the original grant date fair value of the options will be recognised as an expense over the remaining vesting period. The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs:

	ESOS 2012			
		Tranche III	Tranche IV	
Dividend yield (%)		Nil	Nil	
Expected life (years)		2.13 - 2.42	2.05 - 2.70	
Risk free interest rate (%)		4.70%	4.70% to 4.88%	
Volatility (%)		30.53%	28.94% to 30.53%	
Market price on date of grant			6,059.56	
Fair Value		7.59 - 13.98	7.63 - 16.34	

	ESOS 2017			
	Tranche I	Tranche II	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	2.45 - 3.00	2.19 - 4.00	2.19 - 5.00	3.30 - 6.00
Risk free interest rate (%)	4.70% to 4.88%	4.70% to 5.21%	4.70% to 5.82%	4.88% to 5.91%
Volatility (%)	28.94% to 30.53%	27.90% to 30.53%	27.66% to 30.53%	27.36% to 28.94%
Market price on date of grant			6,059.56	
Fair Value	86.21 - 109.93	48.59 - 133.16	13.75 - 157.31	13.54 - 121.59

e Expenses arising from share-based payment transactions

The total expenses arising from share-based payment transactions recognised were as follows:

Particulars	2020-21	2019-20
Stock based compensation expense determined under fair value method recognised in statement of profit or loss	356.04	249.55

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Nykaa E-Retail Private Limited

Notes to the financial statements for the year ended March 31, 2021

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

44 Impact of Covid 19

The Company has taken into account all the possible impacts of COVID-19 in preparation of these standalone financial statements, including but not limited to its assessment of, liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenue recognition and impact on leases. The Company has carried out this assessment based on available internal and external sources of information upto the date of approval of these standalone financial statements and believes that the impact of COVID-19 is not material to these financial statements and expects to recover the carrying amount of its assets. The impact of COVID-19 on the standalone financial statements may differ from that estimated as at the date of approval of these standalone financial statements owing to the nature and duration of COVID-19. The Company will continue to closely monitor any material changes to future economic conditions

45 Social Security

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

46 Expenditure towards corporate social responsibility (CSR) activities

The Company spent on a standalone basis Rs. 4.29 lakhs for the FY 20-21 (Rs. Nil lakhs for the FY 19-20), towards various schemes of Corporate Social Responsibility (CSR) as prescribed under Section 135 of the Companies Act, 2013. No amount has been spent on construction / acquisition of an asset of the Company. The prescribed CSR expenditure required to be spent in the FY 2020-21 as per the Companies Act, 2013 is Rs. Nil lakhs (Rs. Nil for the FY 19-20), in view of average net losses of the Company being Rs. 1.51 lakhs for FY20-21 and Loss for the FY 19-20 (under section 198 of the Act) for the last three financial years.

47 Event after reporting dates

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

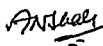
48 Previous years figures have been regrouped and reclassified wherever required.

As per our report of even date

For V. C. Shah & Co.

Chartered Accountants

Firm Registration No: 109818W



A. N. Shah

Partner

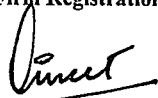
Membership No: 42649



For S. R. Batliboi & Associates LLP

Chartered Accountants

Firm Registration No: 101049W/E300004



Vineet Kedia

Partner

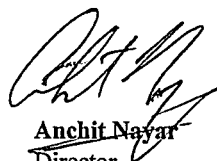
Membership No: 212230



Place: Mumbai

Date: 07 June 2021

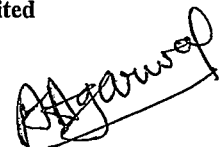
**For and on behalf of Board of Directors of
Nykaa E-Retail Private Limited**



Anchit Nayar

Director

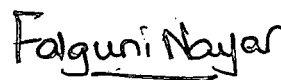
DIN No 08351358



Arvind Agarwal

Director

DIN No 02175753



Falguni Nayar

Chief Executive Officer



Pratik Bhujade

Company Secretary

ACS M.No. A38175

