

Nykaa Fashion Private Limited  
- Financial Statements as on 31 March 2021

## INDEPENDENT AUDITOR'S REPORT

To the Members of Nykaa Fashion Private Limited

### Report on the Audit of the Financial Statements

#### Opinion

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

In our opinion and to the best of our information and according to the explanations provided to us, the aforesaid financial statements give the information required by the Companies Act, 2013 as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### Basis for Opinion

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

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

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

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

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



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We did not receive such other information, hence we have nothing to report in this regard.

#### **Responsibilities of Management for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including Ind AS specified under section 133 of the Act.

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we





are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.





- (c) The Balance Sheet, the Statement of Profit and Loss including the Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B", to this report.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations provided to us:
- The Company does not have any pending litigations which would impact its financial position.
  - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.



Place: Mumbai  
Date: 07-Jun-2021

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

*A. N. Shah*

A. N. Shah  
Partner  
Membership No. 42649  
UDIN:21042649AAATJG1610

## **"ANNEXURE A" TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in Report on Other Legal and Regulatory Requirements of our Report of even date)

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



Services Tax and other material statutory dues applicable to it with the appropriate authorities.

There were no undisputed amounts payable in respect of Income Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise, Value Added Tax, cess, Goods & Services Tax and other material statutory dues in arrears as at March 31, 2021 for a period of more than six months from the date they became payable.

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





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



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

*A. N. Shah*

A. N. Shah  
Partner  
Membership No. 42649  
UDIN:21042649AAATJG1610

Place: Mumbai  
Date: 07-Jun-2021

## **ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the internal financial controls over financial reporting of **Nykaa Fashion Private Limited** ('the Company') as of March 31, 2021 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

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

#### **Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



### **Meaning of Internal Financial Controls Over Financial Reporting**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 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 on Audit of Internal Financials Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.



Place: Mumbai  
Date: 07-Jun-2021

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

*AN Shah*

A. N. Shah  
Partner  
Membership No. 42649  
UDIN:21042649AAATJG1610



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

	Notes	As at 31 March 2021	As at 31 March 2020
<b>Non-current assets</b>			
Property, plant and equipment	4	238.29	114.23
Right of use assets	5	1,093.62	305.23
Goodwill	6	50.56	10.56
Other intangible assets	6	759.38	94.32
Financial assets			
Loans	7	68.67	26.94
Deferred tax assets (net)	8	1,377.73	569.47
Non-current tax assets (net)		106.07	65.12
Other non-current assets	9	35.49	-
<b>Total non-current assets</b>		<b>3,729.81</b>	<b>1,185.87</b>
<b>Current assets</b>			
Inventories	10	1,407.44	452.33
Financial assets			
Trade receivables	11	125.28	50.07
Cash and cash equivalents	12	1,895.58	221.48
Other financial assets	13A	878.47	-
Other current assets	13B	933.44	140.10
<b>Total current assets</b>		<b>5,240.21</b>	<b>863.98</b>
<b>Total assets</b>		<b>8,970.02</b>	<b>2,049.85</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	14	1.00	1.00
Other equity	15	(3,681.21)	(1,459.77)
<b>Total equity</b>		<b>(3,680.21)</b>	<b>(1,458.77)</b>
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	16A	3,167.48	1,797.30
Lease liabilities	17	882.27	153.86
Long-term provisions	18	85.82	38.04
<b>Total non-current liabilities</b>		<b>4,135.57</b>	<b>1,989.20</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	16B	66.36	-
Lease liabilities	17	228.81	161.76
Trade payables	19		
-Total outstanding dues of Micro enterprise and small enterprises		53.49	29.08
-Total outstanding dues of creditors other than Micro enterprises and small enterprises		4,697.56	492.50
Other financial liabilities	20	3,060.10	692.29
Short-term provisions	18	139.41	0.58
Other current liabilities	21	268.93	143.21
<b>Total current liabilities</b>		<b>8,514.66</b>	<b>1,519.42</b>
<b>Total liabilities</b>		<b>12,650.23</b>	<b>3,508.62</b>
<b>Total equity and liabilities</b>		<b>8,970.02</b>	<b>2,049.85</b>

**Significant accounting policies**

2-3

**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*

A N Shah  
Partner  
Membership No: 42649



Place: Mumbai  
Date: 07 June 2021

For and on behalf of Board of Directors of  
Nykaa Fashion Private Limited

*Anchit Nayar*  
Anchit Nayar  
Director  
DIN No.-08351358

*Adwaita Nayar*  
Adwaita Nayar  
Director  
DIN No.-07931382

*Neha Salia*  
Neha Salia  
Company Secretary  
ACS M.No. A26124



**Nykaa Fashion 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
Revenue from operations	22	14,377.14	3,519.59
Other Income	23	3.89	16.02
<b>TOTAL INCOME</b>		<b>14,381.03</b>	<b>3,535.61</b>
<b>EXPENSES</b>			
Cost of material consumed	24	446.70	387.12
Purchase of traded goods	25	5,140.16	1,207.10
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress	26	(798.00)	(237.22)
Employee benefits expense	27	4,131.49	1,571.77
Finance costs	28	275.88	157.98
Depreciation and amortization expense	29	299.29	227.10
Other expenses	30	8,067.60	2,445.34
<b>TOTAL EXPENSES</b>		<b>17,563.12</b>	<b>5,759.19</b>
<b>Profit / (Loss) before tax</b>		<b>(3,182.09)</b>	<b>(2,223.58)</b>
<b>Tax expense / (benefit) :</b>			
Current tax		-	-
Deferred tax	8	(803.63)	(551.23)
Tax expense relating to earlier years		-	-
<b>Profit / (Loss) after tax</b>		<b>(2,378.46)</b>	<b>(1,672.35)</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement gain/(losses) on defined benefit liability		(18.40)	(16.49)
Income tax effect on above		4.63	4.15
<b>Items that will not be reclassified to profit or loss, net of tax</b>		<b>(13.77)</b>	<b>(12.34)</b>
<b>Total Comprehensive Income for the year</b>		<b>(2,392.23)</b>	<b>(1,684.69)</b>
<b>Earnings per share of face value Rs. 10/- each</b>			
Basic earnings per share (in Rs.)	35	(23,784.60)	(16,723.50)
Diluted earning per share (in Rs.)	35	(23,784.60)	(16,723.50)
<b>Significant accounting policies</b>	2-3		
<b>Accompanying note form an integral part of these financials statements</b>			

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



Place: Mumbai

Date: 07 June 2021

For and on behalf of Board of Directors of

Nykaa Fashion Private Limited

*Anchit Nayar*  
Anchit Nayar  
Director  
DIN No.-08351358

*Adwaita Nayar*  
Adwaita Nayar  
Director  
DIN No.-07931382

*Neha Salia*  
Neha Salia  
Company Secretary  
ACS M.No. A26124



**Nykaa Fashion 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
<b>Operating activities</b>		
Net loss before tax as per Statement of profit & loss	(3,182.09)	(2,223.58)
Adjustments to reconcile profit before tax to net cash flows:		
Adjustment for:		
Add: Depreciation and amortisation expense	299.29	227.10
Add: Interest expense	272.34	157.98
Add: Share based payment expense	23.91	64.44
Add: Leave compensated expense	133.26	-
Add: Gratuity expense	49.61	22.13
Add: Expected credit loss	0.08	0.13
Add: Unrealised (Gain)/Loss on Foreign Exchange fluctuations (net)	(0.23)	(0.33)
<b>Operating profit before working capital changes</b>	<b>(2,403.83)</b>	<b>(1,752.13)</b>
Adjustments for changes in working capital:		
(Increase) in Trade receivables	(75.29)	(63.76)
(Increase) in Inventories	(955.11)	(315.83)
(Increase) in Financial assets	(920.20)	(18.18)
(Increase) in other current assets	(793.34)	(9.63)
(Increase) in other non-current assets	(35.49)	(127.83)
Increase in Trade payables	4,229.70	463.20
Increase in Other financial liability-current	2,367.81	647.74
Increase in Other current liabilities	125.72	130.74
Increase / (decrease) in provisions	(10.03)	4.15
<b>Cash generated from / (used) in operations</b>	<b>1,529.94</b>	<b>(1,041.53)</b>
Payment of direct taxes (net)	(40.95)	(65.12)
<b>Net cash flow from / (used in) operating activities</b>	<b>1,488.99</b>	<b>(1,106.65)</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment (net)	(172.73)	(240.41)
Purchases of other intangible assets (net)	(644.44)	-
Payments towards purchase of undertaking on slump sale	(161.50)	-
<b>Net cash flows from / (used in) investing activities</b>	<b>(978.67)</b>	<b>(240.41)</b>
<b>Financing activities</b>		
Proceeds from / (repayment of) Non-current borrowings	1,554.74	1,930.68
Proceeds from / (repayment of) Current borrowings	66.37	-
Interest Expense	(219.38)	(157.98)
Payment of lease liabilities	(184.99)	(167.50)
Interest expense on lease liabilities	(52.96)	(36.66)
<b>Net cash flows from / (used in) financing activities</b>	<b>1,163.78</b>	<b>1,568.54</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,674.10</b>	<b>221.48</b>
Cash and cash equivalents at the beginning of the year	221.48	-
<b>Cash and cash equivalents at the end of the year</b>	<b>1,895.58</b>	<b>221.48</b>

**Note:**

Cash and Bank balances in current account includes Rs 1667.2 lakhs (March 31, 2020: 0.38 lakhs) towards collections for shipments held on behalf of customers

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*

A N Shah  
Partner  
Membership No: 42649



Place: Mumbai  
Date: 07 June 2021

For and on behalf of Board of Directors of  
Nykaa Fashion Private Limited

*A N Shah* *Adwaita Nayar*

A N Shah  
Director  
DIN No.-08351358  
Adwaita Nayar  
Director  
DIN No.-07931382

*Neha Salia*  
Neha Salia  
Company Secretary  
ACS M.No. A26124





# Nykaa Fashion 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
-	-
10,000	1.00
10,000	1.00
-	-
10,000	1.00

### b. Other Equity:

For the year ended 31 March 2021

Particulars	Capital Contribution from parent	Reserves & Surplus Surplus/(Deficit) in statement of profit and loss	Other comprehensive income (OCI)	Total other equity
As at 1 April 2020	311.99	(1,759.42)	(12.34)	(1,459.77)
Net Profit for the period	-	(2,378.46)	-	(2,378.46)
Other comprehensive income	-	-	(13.77)	(13.77)
<b>Total comprehensive income</b>	<b>311.99</b>	<b>(4,137.88)</b>	<b>(26.11)</b>	<b>(3,852.00)</b>
Dividends ( including DDT)	-	-	-	-
Added during the year	170.79	-	-	170.79
<b>As at 31 March 2021</b>	<b>482.78</b>	<b>(4,137.88)</b>	<b>(26.11)</b>	<b>(3,681.21)</b>

For the year ended 31 March 2020

Particulars	Capital Contribution from parent	Reserves & Surplus Surplus/(Deficit) in statement of profit and loss	Other comprehensive income (OCI)	Total other equity
As at 31 March 2019	42.54	(87.07)	-	(44.53)
Net Profit for the period	-	(1,672.35)	-	(1,672.35)
Other comprehensive income	-	-	(12.34)	(12.34)
<b>Total comprehensive income</b>	<b>42.54</b>	<b>(1,759.42)</b>	<b>(12.34)</b>	<b>(1,729.22)</b>
Dividends ( including DDT)	-	-	-	-
Added during the year	269.45	-	-	269.45
<b>As at 31 March 2020</b>	<b>311.99</b>	<b>(1,759.42)</b>	<b>(12.34)</b>	<b>(1,459.77)</b>

Significant accounting policies

2-3

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*

A N Shah

Partner

Membership No: 42649



For and on behalf of Board of Directors of  
Nykaa Fashion Private Limited

*Anchit Nayar*  
Anchit Nayar  
Director

DIN No.-08351358

*Neha Salia*  
Neha Salia  
Company Secretary  
ACS M.No. A26124

*Adwaita Nayar*  
Adwaita Nayar  
Director

DIN No.-07931382



Place: Mumbai

Date: 07 June 2021

**Nykaa Fashion 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 Fashion Private Limited (the 'Company') is a private company incorporated on 4 February 2019 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 & distribution of fashion garment, fashion accessories on the online platforms or websites such as e-commerce, m-commerce, internet and intranet as well as through stalls etc.

The separate 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. 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) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are recognised as incurred and included in administrative & other expenses.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing





**Nykaa Fashion Private Limited**

**Notes to Financial Statements as at and for the year ended 31 March 2021**

**Amounts in Indian Rupees in lakhs**

outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 "Financial Instruments", is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with Ind AS 109. Other contingent consideration that is not within the scope of Ind AS 109 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**b) Current versus non-current classification**

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

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

All other assets are classified as non-current.

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





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

- 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.

**c) Property Plant & Equipment**

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

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

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

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

**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.

<b>Plant, machinery and equipment</b>	<b>Useful lives (in years)</b>
Plant and Machinery	8
Computers	3
Furniture & Fixtures	10
Office Equipments	5



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

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

**d) Intangible assets**

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

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible 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
Website	3
Software	3
Trade Mark	5

**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





**Nykaa Fashion Private Limited**

**Notes to Financial Statements as at and for the year ended 31 March 2021**

**Amounts in Indian Rupees in lakhs**

- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

**e) Impairment of non-financial assets**

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

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.

**f) Inventory**

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

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





**Nykaa Fashion Private Limited**

**Notes to Financial Statements as at and for the year ended 31 March 2021**

**Amounts in Indian Rupees in lakhs**

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

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

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

**g) Leases**

The 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 5 years

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

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



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

**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.

**h) Financial Instruments**

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

**I. Initial recognition and measurement:**

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.





**Nykaa Fashion Private Limited**

**Notes to Financial Statements as at and for the year ended 31 March 2021**

**Amounts in Indian Rupees in lakhs**

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)
- 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.





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

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.

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.



**Nykaa Fashion Private Limited**

**Notes to Financial Statements as at and for the year ended 31 March 2021**

**Amounts in Indian Rupees in lakhs**

**IV. Impairment of financial assets:**

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

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

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

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

**V. Offsetting of financial instruments**

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

**i) Revenue recognition**

***I. Revenue from contracts with customers***

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

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

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

**i. Sale of 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 goods. 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





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

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:**

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

**iii. 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

**II. Interest income:**

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

**j) Provisions**

A provision is recognised when the Company has a present 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

**k) Foreign currency transactions**





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

***Functional and presentation currency***

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

***Foreign currency transactions and balances***

**(i) Initial recognition**

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

**(ii) Conversion**

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

**(iii) Exchange differences**

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

**l) Share based payments**

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in contribution by parent in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

**m) 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.



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

***Post-employment benefits***

*i. Defined Contribution Plans*

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

*ii. Defined Benefit Plans*

**Gratuity**

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

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

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

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

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

***Compensated absences***

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

**n) Borrowing cost**

Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as





## Nykaa Fashion Private Limited

### Notes to Financial Statements as at and for the year ended 31 March 2021

#### Amounts in Indian Rupees in lakhs

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.

#### o) Fair value measurement

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

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

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

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

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

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

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

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

#### p) Income taxes

Tax expense comprises current and deferred tax.

##### *Current income tax*

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

##### *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.





**Nykaa Fashion Private Limited**

**Notes to Financial Statements as at and for the year ended 31 March 2021**

**Amounts in Indian Rupees in lakhs**

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

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

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

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

**q) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with 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.

**r) Contingent Liabilities**

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

**s) Earnings per share**

Basic earnings per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as



**Nykaa Fashion Private Limited**

**Notes to Financial Statements as at and for the year ended 31 March 2021**

**Amounts in Indian Rupees in lakhs**

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

**t) 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.

**u) 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.



**Nykaa Fashion Private Limited**

**Notes to Financial Statements as at and for the year ended 31 March 2021**

**Amounts in Indian Rupees**

**3A. Significant accounting judgements, estimates and assumptions**

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

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

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

**I. Judgements:**

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

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

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

The Company included the renewal period as part of the lease term for leases of property with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on business if a replacement alternate property is not readily available. The renewal periods for leases of property with longer non-cancellable periods (i.e., 6 to 10 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.





**Nykaa Fashion Private Limited**  
**Notes to Financial Statements as at and for the year ended 31 March 2021**  
**Amounts in Indian Rupees**

**II. Estimates and assumptions:**

**a. Estimation of useful life of property, plant and equipment and intangible asset**

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

**b. Fair Value measurement of financial instruments**

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

**c. Estimation of defined benefit obligation and compensated absences**

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

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

**d. Income taxes**

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

**e. Deferred Taxes**

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



**Nykaa Fashion Private Limited**  
**Notes to Financial Statements as at and for the year ended 31 March 2021**  
**Amounts in Indian Rupees**

will be recoverable using the estimated future taxable income based on the approved business plans and budgets.

**f. Business combination:**

In accounting for business combinations, judgment is required in identifying whether an identifiable intangible asset is to be recorded separately from goodwill. Additionally, estimating the acquisition date fair value of the identifiable assets acquired (including useful life estimates), liabilities assumed, and contingent consideration assumed involves management judgment. These measurements are based on information available at the acquisition date and are based on expectations and assumptions that have been deemed reasonable by management. Changes in these judgments, estimates, and assumptions can materially affect the results of operations.

**g. 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.

**h. Impairment of financial assets:**

The impairment provisions for financial assets depending on their classification are based on assumptions about risk of default, expected cash loss rates, discounting rates applied to these forecasted future cash flows, recent transactions and independent valuer's report. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

**i. 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 Fashion Private Limited**  
**Notes to Financial Statements as at and for the year ended 31 March 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).

**k. Other estimates:**

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

**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 March 24, 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.





**Nykaa Fashion Private Limited**
**Notes to the financial statements for the year ended 31 March 2021**

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

**4 Property, plant and equipment**

	Computer Equipment	Furniture & Fixtures	Equipments	Plant and equipment	Total
<b>Cost</b>					
At 1 April 2019	8.85	11.70	2.90	1.00	24.45
Addition	46.47	55.72	15.32	5.66	123.17
Disposals/transfers	-	-	-	-	-
At 31 March 2020	55.32	67.42	18.22	6.66	147.62
Additions	46.97	38.63	80.38	-	165.98
Disposals/transfers	-	-	-	-	-
At 31 March 2021	102.29	106.05	98.60	6.66	313.60
<b>Depreciation</b>					
At 1 April 2019	8.23	6.65	2.09	0.55	17.52
Depreciation charge for the year	7.39	6.49	1.54	0.45	15.87
Disposals	-	-	-	-	-
At 31 March 2020	15.62	13.14	3.63	1.00	33.39
Depreciation charge for the year	22.80	12.06	6.25	0.81	41.92
Disposals	-	-	-	-	-
At 31 March 2021	38.42	25.20	9.88	1.81	75.31
<b>Net Book Value</b>					
At 31 March 2021	63.87	80.85	88.72	4.85	238.29
At 31 March 2020	39.70	54.28	14.59	5.66	114.00

Movable assets have been pledged to secure borrowings of the Company (Refer Note 16)

**5 Right of use assets**

	Right of Use Assets	Total
<b>Cost</b>		
At 1 April 2019	216.92	216.92
Addition	276.33	276.33
Disposals/transfers	-	-
At 31 March 2020	493.25	493.25
Additions	1,001.41	1,001.41
Disposals/transfers	-	-
At 31 March 2021	1,494.66	1,494.66
<b>Depreciation</b>		
At 1 April 2019	3.18	3.18
Depreciation charge for the year	184.84	184.84
Disposals	-	-
At 31 March 2020	188.02	188.02
Depreciation charge for the year	213.02	213.02
Disposals	-	-
At 31 March 2021	401.04	401.04
<b>Net Book Value</b>		
At 31 March 2021	1,093.62	1,093.62
At 31 March 2020	305.23	305.23



**Nykaa Fashion Private Limited**

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

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

**6 Goodwill and Other Intangible assets**

	20 Dresses Website	Goodwill	Business application development cost	Trademark	Total
<b>Cost</b>					
At 1 April 2019	7.40	14.27	-	-	21.67
Addition	-	-	117.24	-	117.24
Disposals/transfers	-	-	-	-	-
At 31 March 2020	7.40	14.27	117.24	-	138.91
Additions	-	40.00	214.97	494.44	749.41
Disposals/transfers	-	-	-	-	-
At 31 March 2021	7.40	54.27	332.21	494.44	888.32
<b>Amortisation and impairment loss</b>					
At 1 April 2019	7.40	0.24	-	-	7.64
Amortisation charge for the year	-	-	22.92	-	22.92
Impairment loss for the year	-	3.47	-	-	3.47
Disposals	-	-	-	-	-
At 31 March 2020	7.40	3.71	22.92	-	34.03
Amortisation charge for the year	-	-	43.89	0.46	44.35
Impairment loss for the year	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2021	7.40	3.71	66.81	0.46	78.38
<b>Net Book Value</b>					
At 31 March 2021	-	50.56	265.40	493.98	809.94
At 31 March 2020	-	10.56	94.32	-	104.88



**Nykaa Fashion Private Limited**
**Notes to the financial statements for the year ended 31 March 2021**

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

**7 Loans (non-current)**

(Measured at amortised cost, except otherwise stated)

Security Deposits (Unsecured)

Considered Good

(Security deposit is given for the terms between 2 to 5 years)

At 31 March 2021	At 31 March 2020
68.67	26.94
<b>68.67</b>	<b>26.94</b>

**Other non-current assets**

Capital Advance

At 31 March 2021	At 31 March 2020
35.49	-
<b>35.49</b>	<b>-</b>

**8 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:**
**i. Profit or loss section:**
**Current income tax:**

Current income tax charge

Adjustments in respect of current income tax of previous year

**Deferred tax:**

Relating to origination and reversal of temporary differences

Income tax expense/(income) reported in the statement of profit or loss

For the year ended 31 March 2021	For the year ended 31 March 2020
-	-
-	-
(803.63)	(551.23)
<b>(803.63)</b>	<b>(551.23)</b>

**ii. OCI section - Deferred tax related to items recognised in OCI during in the year:**

Tax Expenses/(Income) on remeasurements of defined benefit plans

Income tax expense charged to OCI

(4.63)	(4.15)
<b>(4.63)</b>	<b>(4.15)</b>

**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	(3,182.09)	(2,223.58)
Applicable tax rate	25.17%	25.17%
Tax using the Company's domestic tax rate	(800.93)	(559.68)
Effect of:		
Interest expense on loan from subsidiary	-	9.23
Commission on financial guarantee	1.76	-
Others	(4.45)	(0.78)
<b>Total tax expense</b>	<b>(803.62)</b>	<b>(551.23)</b>
Current tax provision	-	-
Deferred tax reversal /(provision)	(803.63)	(551.23)
<b>Tax expense recognized in the statement of profit and loss</b>	<b>(803.63)</b>	<b>(551.23)</b>
<b>Effective tax rate</b>	<b>25.25%</b>	<b>24.79%</b>

**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 at the beginning	65.12	-
Income tax paid	40.95	65.12
<b>Net income tax asset at the end</b>	<b>106.07</b>	<b>65.12</b>
<b>Income tax assets as per balance sheet</b>	<b>106.07</b>	<b>65.12</b>





**Nykaa Fashion 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 in liabilities as per books and tax	347.65	79.44
Impact of brought forward losses	1,330.11	561.78
Impact of preliminary expenses	-	9.74
<b>Deferred tax assets (A)</b>	<b>1,677.76</b>	<b>650.96</b>
Impact of difference between tax depreciation and depreciation as per books	24.77	4.66
Impact of difference in assets as per books and tax	275.26	76.83
<b>Deferred tax liabilities (B)</b>	<b>300.03</b>	<b>81.49</b>
<b>Deferred tax assets (C=A-B)</b>	<b>1,377.73</b>	<b>569.47</b>

**ii. Reconciliation of deferred tax assets (net):**

	At 31 March 2021	At 31 March 2020
Opening balance as of 1 April	569.47	14.09
Tax income/(expense) during the period recognised in profit or loss	803.63	551.23
Tax income/(expense) during the period recognised in OCI	4.63	4.15
<b>Closing balance as at 31 March</b>	<b>1,377.73</b>	<b>569.47</b>

**10 Inventories**

	At 31 March 2021	At 31 March 2020
(Valued at lower of cost and net realisable value)		
Raw materials	235.18	137.07
Finished goods	536.97	247.94
Stock in trade	542.60	33.63
Packing Material	92.69	33.69
	<b>1,407.44</b>	<b>452.33</b>

During the year ended 31 March 2021, INR 31.44 lakhs (31 March 2020: INR 22.02 lakhs) is recognised as provision taking into account various factors, including obsolescence of material, unserviceable items and ageing of material.

**11 Trade receivables (unsecured)**

	At 31 March 2021	At 31 March 2020
Trade receivables - Considered Good	125.28	50.07
Trade receivables - Considered Doubtful	0.26	0.15
Less: Allowances for expected credit loss	(0.26)	(0.15)
	<b>125.28</b>	<b>50.07</b>

(For details of trade receivable with related party refer note 34 related party disclosures)

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person.

Trade receivables are non-interest bearing and are generally on terms of 30 days



**Nykaa Fashion Private Limited**

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

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

**12 Cash and cash equivalents**

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Cash on hand	5.24	3.92
- in current accounts	1,890.34	17.56
Cheques on hand	-	200.00
Cash and Bank balances in current account includes Rs 1667.2 lakhs (March 31, 2020: 0.38 lakhs) towards collections for shipments held on behalf of customers	<u>1,895.58</u>	<u>221.48</u>

**13A Other financial assets (current)**

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Unbilled receivable	180.27	-
Receivable from COD/Prepaid	698.20	-
	<u>878.47</u>	<u>-</u>

**13B Other current assets**

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Advance against expenses	24.29	9.68
Advance to suppliers	368.80	-
Prepaid Expense	36.10	-
Balance with statutory / government authorities	504.25	130.42
	<u>933.44</u>	<u>140.10</u>



**Nykaa Fashion Private Limited****Notes to the financial statements for the year ended 31 March 2021**

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

**14 Share Capital****i) Authorised Share Capital**

	At 31 March 2021	At 31 March 2020
10,00,000 (31 March 2020: 10,00,000) equity shares of Rs 10/- each	100.00	100.00

**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, subscribed and fully paid up equity capital**

	At 31 March 2021	At 31 March 2020
10,000 (31 March 2020: 10,000) equity shares of Rs 10/- each	1.00	1.00

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 company:**

Out of equity shares issued by the Company, shares held by its holding company is as below:

	At 31 March 2021	At 31 March 2020
FSN E-Commerce Ventures Private Limited (Holding Company)		
10,000 (31 March 2020: 10,000) equity shares of Rs 10/- each	1.00	1.00

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

Name of the shareholder	As at 31 March 2021		As at 31 March 2020	
	No. of shares	% holding	No. of shares	% holding
FSN E-Commerce Ventures Private Limited (Holding Company)	10,000	100	10,000	100

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.

**15 Other equity**

	At 31 March 2021	At 31 March 2020
<b>a. Surplus/(Deficit) in the statement of profit &amp; loss</b>		
Opening balance	(1,759.42)	(87.07)
Add: Profit / (Loss) during the year	(2,378.46)	(1,672.35)
Closing balance	(4,137.88)	(1,759.42)
<b>b. Other comprehensive income</b>		
Opening balance	(12.34)	-
Add : Additions during the year	(13.77)	(12.34)
Closing balance	(26.11)	(12.34)
<b>c. Capital Contribution from Parent</b>		
Opening balance	311.99	42.54
Add : Additions during the year	170.79	269.45
Closing balance	482.78	311.99

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

2) Other Comprehensive Income represents the cumulative gains and losses arising on remeasurement of defined employee benefit plan.

3) Contribution from Parent Company consists of:

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

**Loan from Holding Company:** fair valuation of loans taken from parent.

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





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

**16A Borrowings - non-current**

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
(Carried at amortised cost, except otherwise stated)		
<u>Unsecured loans</u>		
Loan from Holding Company (FSN E-Commerce Ventures Private Limited)	3,167.48	1,797.30
	<u>3,167.48</u>	<u>1,797.30</u>

**16A.1 Terms of loan from holding company**

- The above loan carry an interest rate referenced to the government security rate close to the tenor of the loan and mutually agreed spread.
- Refer note 40 for maturity profile of above loans

16A.2 Maximum amount of loan outstanding during the year was INR 3,842.50 lakhs (31 March 2020 - INR 1,958.02 lakhs)

**16B Borrowings - Current**

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Working capital loan from Banks	66.36	-
	<u>66.36</u>	<u>-</u>

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

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

16.3 Maximum amount of loan outstanding during the year was INR 344.74 lakhs (March 31, 2020 - NA)

16.4 Bank loans contain certain debt covenants relating to limitation on indebtedness, debt-equity ratio, net Borrowings to EBITDA ratio and debt service coverage ratio. The Company has also satisfied all other debt covenants prescribed in the terms of bank loan. The Company has not defaulted on any loans payable

16.5 At 31 March 2021, the Company had available Rs 633.64 lakhs (31 March 2020: NA) of undrawn committed borrowing facilities.

**17 Lease liabilities**

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Payable for operating Lease liabilities*	882.27	153.86
	<u>882.27</u>	<u>153.86</u>

(For details of payable for operating lease liabilities with related party refer note 34 related party disclosures)

\*The effective interest rate for operating lease liabilities is 9.45% as on 31 March 2021 (10.50% as on 31 March 2020)

**18 Provisions**

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
<b>A) Non- Current:</b>		
(Measured at amortised cost, except otherwise stated)		
Provision for Gratuity (Refer note 33A)	85.82	38.04
	<u>85.82</u>	<u>38.04</u>
<b>B) Current:</b>		
(Measured at amortised cost, except otherwise stated)		
Provision for Gratuity (Refer note 33A)	15.08	0.58
Provision for compensated absences (Refer note 33B)	124.33	-
	<u>139.41</u>	<u>0.58</u>



**Nykaa Fashion Private Limited**

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

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

**19 Trade payables**

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Total outstanding dues of Micro enterprise and small enterprises	53.49	29.08
Total outstanding dues of creditors other than Micro enterprises and small enterprises	4,697.56	492.50
	<u>4,751.05</u>	<u>521.58</u>

19.1 For details of trade payable with related party refer note 34 related party disclosures.

**19.2 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.	0.02	-
c) The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
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>0.02</u>	<u>-</u>

**20 Other financial liabilities**

(Measured at amortised cost, except otherwise stated)

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Employee related liabilities -Salary payable	217.50	128.50
Accrued expenses	1,025.82	327.70
Market-place vendors	1,717.85	236.09
Current maturity of long term debt	70.43	-
Payable towards Purchase of business towards slump sale (Refer Note No. 42)	28.50	-
	<u>3,060.10</u>	<u>692.29</u>

**21 Other current liabilities**

	<u>At 31 March 2021</u>	<u>At 31 March 2020</u>
Statutory dues	268.93	64.97
Advance from customers	-	78.24
	<u>268.93</u>	<u>143.21</u>



**Nykaa Fashion Private Limited**

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

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

**22 Revenue from operations**

**A. Sale of products (Apparels and Non-Apparels)**

**B. Sale of service**

Banner advertisement income  
Income from marketplace service  
Logistics services

**C. Other operating revenue**

TOI  
Pickup Mile

Within India  
Outside India

**23 Other income**

Interest on security deposit  
Foreign exchange gain  
Sundry balances written back  
Miscellaneous income

**24 Cost of material consumed**

Opening stock  
Add: Purchase  
Less: Closing Stock

**25 Purchase of traded goods**

Purchases

**26 (Increase)/decrease in inventories of finished goods and stock in trade**

Finished goods  
Opening balance  
Closing balance

Stock in trade  
Opening balance  
Closing balance

**27 Employee benefits expense**

Salaries, Wages and Bonus  
Contribution to provident and other funds  
Staff welfare expenses  
Gratuity expenses (Refer Note 33A)  
Compensated absences expenses (Refer Note 33B)  
Share based payment expenses (Refer Note 42)

	For the year ended 31 March 2021	For the year ended 31 March 2020
A. Sale of products (Apparels and Non-Apparels)	7,977.10	2,092.58
B. Sale of service		
Banner advertisement income	562.18	90.06
Income from marketplace service	4,963.62	1,175.26
Logistics services	667.28	119.47
C. Other operating revenue		
TOI	134.22	21.22
Pickup Mile	72.74	21.00
	<b>14,377.14</b>	<b>3,519.59</b>
Within India	14,302.28	3,519.59
Outside India	74.86	-
23 Other income		
Interest on security deposit	2.46	1.12
Foreign exchange gain	-	3.18
Sundry balances written back	-	2.05
Miscellaneous income	1.43	9.67
	<b>3.89</b>	<b>16.02</b>
24 Cost of material consumed		
Opening stock	170.76	92.14
Add: Purchase	603.81	465.74
Less: Closing Stock	327.87	170.76
	<b>446.70</b>	<b>387.12</b>
25 Purchase of traded goods		
Purchases	5,140.16	1,207.10
	<b>5,140.16</b>	<b>1,207.10</b>
26 (Increase)/decrease in inventories of finished goods and stock in trade		
Finished goods		
Opening balance	247.94	44.35
Closing balance	536.97	247.94
	<b>(289.03)</b>	<b>(203.59)</b>
Stock in trade		
Opening balance	33.63	-
Closing balance	542.60	33.63
	<b>(508.97)</b>	<b>(33.63)</b>
	<b>(798.00)</b>	<b>(237.22)</b>
27 Employee benefits expense		
Salaries, Wages and Bonus	3,868.56	1,446.78
Contribution to provident and other funds	47.81	27.71
Staff welfare expenses	8.34	10.71
Gratuity expenses (Refer Note 33A)	49.61	22.13
Compensated absences expenses (Refer Note 33B)	133.26	-
Share based payment expenses (Refer Note 42)	23.91	64.44
	<b>4,131.49</b>	<b>1,571.77</b>





**Nykaa Fashion Private Limited**

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

**28 Finance costs**

Interest expenses on:  
- borrowings  
- Lease Liabilities  
Commission on financial guarantee  
Other finance charge

For the year ended 31 March 2021	For the year ended 31 March 2020
212.38	121.32
52.96	36.66
7.00	-
3.54	-
<b>275.88</b>	<b>157.98</b>

**29 Depreciation and amortisation expense**

Depreciation of property, plant and equipment (refer note 4)  
Depreciation of Right-of-use assets (refer note 5)  
Amortisation of Intangible assets (refer note 6)

For the year ended 31 March 2021	For the year ended 31 March 2020
41.92	15.87
213.02	184.84
44.35	26.39
<b>299.29</b>	<b>227.10</b>

**30 Other expenses**

Marketing & Advertisement Expenses  
Freight Expenses  
Web & Technology Expenses  
Payment gateway charges  
Brand Usage Fees  
Commission Expenses  
Legal and Professional Fees  
Packing Expenses  
Rent and Maintenance Expenses  
Travelling & Conveyance Expenses  
Recruitment Expenses  
Rates & Taxes  
Insurance Expenses  
Repairs & Maintenance - Others  
Electricity Charges  
Communication Expenses  
Expected Credit Loss  
Foreign Exchange Loss  
Bank charges  
Auditors Remuneration :  
    Audit fees  
    Taxation Matters  
Other Miscellaneous expense

For the year ended 31 March 2021	For the year ended 31 March 2020
4,060.39	1,260.19
2,518.70	585.51
528.94	312.69
211.33	14.26
147.06	-
127.43	-
118.39	58.97
84.89	64.88
44.18	8.92
39.03	52.12
30.06	23.05
22.41	2.40
14.92	3.30
11.49	5.51
10.38	9.89
10.65	4.42
0.08	0.13
1.79	-
0.38	0.41
1.11	1.00
1.75	0.45
82.24	37.24
<b>8,067.60</b>	<b>2,445.34</b>



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

**31 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	125.28	50.07
Contract Liabilities	-	78.24
Contract Price	14,455.38	3,450.10
Revenue recognized in the period from:		
Revenue recognized in the current year from contract liability:		
Advance from Customer	78.24	8.75
Revenue deferred in the current year towards unsatisfied performance obligation:		
Advance from Customer	-	(78.24)
Revenue from operations	14,377.14	3,519.59

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



**Nykaa Fashion Private Limited****Notes to the financial statements for the year ended 31 March 2021***(All amounts in Rs. lakhs, unless otherwise stated)***32 Leases****The Company as lessee**

The Company has lease contracts for premises obtained for offices, warehouse etc. Leases of premises generally have lease terms between 2 to 5 years

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

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

Refer note 5 for carrying value of right of use assets.

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

	As at 31 March 2021	As at 31 March 2020
As at 1 April	315.62	210.46
Add Addition	980.45	272.66
Add Accretion of interest	52.96	36.66
Less Payments	237.95	204.16
Closing balance as on March 31	<u>1,111.08</u>	<u>315.62</u>
Current	228.81	161.76
Non-current	<u>882.27</u>	<u>153.86</u>
	<u>1,111.08</u>	<u>315.62</u>

The maturity analysis of lease liability is disclosed in note 40

The effective interest rate for lease operating liabilities is 9.50% as on 31 March 2021 (10.50% as on 31 March 2020)

The following amount are recognised in profit and loss

	For the year ended 31 March 2021	For the year ended 31 March 2020
Depreciation expenses of right of use assets	213.02	184.84
Interest expenses on lease liabilities	52.96	36.66
Expenses relating to short term leases	44.18	8.92
	<u>310.16</u>	<u>230.42</u>

The Company had total cash outflow for leases of INR 237.95 lakhs ( 31 March 2020 : 204.16 lakhs)





**Nykaa Fashion Private Limited**

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

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

**33A 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 47.81 lakhs (previous year INR 27.71 lakhs) and the same has been recognized as an expense in the statement of profit and loss.

**II) Defined Benefit Plans**

The Company operates a defined benefit gratuity plan for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service.

The Company has provided for gratuity based on actuarial valuation done as per projected unit credit method.

**A. The following tables set out the funded status of the gratuity plans and the amounts recognised in the Company's financial statements as at 31 March 2021 and 31 March 2020:**

**i. Amount to be recognised in balance sheet**

Particulars	At 31 March 2021	At 31 March 2020
Present value of defined benefit obligation	100.90	38.62
Funded status – deficit / (surplus)	100.90	38.62
Net liability recognised in balance sheet	100.90	38.62

**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	38.62	-
Current service cost	47.10	22.13
Interest cost	2.51	-
Actuarial (Gains)/Losses in obligation for year ended due to changes in demographic/financial assumptions	13.61	2.62
Actuarial (Gains)/Losses in obligation for year ended due to changes in Experience adjustments	4.79	13.87
Benefit paid	(5.73)	-
Closing defined benefit obligations	100.90	38.62

**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)	38.62	-
Defined benefit cost included in P&L	-	-
Total re-measurements included in OCI	18.40	16.49
Employer contributions	49.61	22.13
Employer direct benefit payments	(5.73)	-
Closing net defined benefit liability/ (asset)	100.90	38.62

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

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Current service cost	47.10	22.13
Net Interest expenses	2.51	-
The total amount recognised in profit and loss account	49.61	22.13
Actuarial (Gains)/Losses in obligation for year ended due to changes in demographic/financial assumptions	13.61	2.62
Actuarial (Gains)/Losses in obligation for year ended due to changes in Experience adjustments	4.79	13.87
The total amount recognised in other comprehensive income (OCI)	18.40	16.49



# Nykaa Fashion Private Limited

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

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

## 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%	5.00%
Withdrawal rates	15.00%	1.00%
IALM - Indian Assured Lives Mortality (Ultimate)	IALM (2012-14)	IALM (2012-14)

The discount rate is based on the prevailing market yields of Government of India Bonds as at the Balance Sheet date for the estimated terms of the obligations.

\*The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

	At 31 March 2021	At 31 March 2020
	Amount	Amount
Within the next 12 months (next annual reporting period)	-	-
Between 2 and 5 years	-	-
Between 6 and 10 years	89.70	170.97
11 years and above	9,145.01	5,363.35
Total expected payments	9,234.71	5,534.32

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 8 years (31 March 2020: 7 years).

## E Sensitivity analysis

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

Particulars	At 31 March 2021	At 31 March 2020
	Amount	Amount
<b>Discount rate (-/+ 1%)</b>		
Decrease by 100 basis points	106.77	46.64
Increase by 100 basis points	95.65	32.28
<b>Future salary increase (-/+ 1%)</b>		
Decrease by 100 basis points	95.61	32.14
Increase by 100 basis points	106.70	46.68

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 Fashion Private Limited**

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

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

**33B 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. 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.





# Nykkaa Fashion Private Limited

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

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

## 34 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
Nykkaa-KK Beauty Private Limited	Fellow subsidiary
Nykkaa E-Retail Private Limited	Fellow subsidiary
FSN International Private Limited	Fellow subsidiary

### Directors and Key Management Personnel (KMP)

Ms. Adwaita Nayar	Executive Director
Mr. Anshu Nayar	Director
Mr. Gopal Asthana	Director (Joined w.e.f May 17, 2021)
Mr. Sanjay Suri	Director (Joined w.e.f June 7, 2021)
Ms. Neha Salia	Company Secretary (Joined w.e.f May 17, 2021)

### B. Transactions with Related party

Particulars	Nature of transactions	Transactions during the year ended 31 March 2021	Outstanding balances as on 31 March 2021	Transactions during the year ended 31 March 2020	Outstanding balances as on 31 March 2020
<b>Holding company</b>					
FSN E-Commerce Ventures Private Limited	(i) Loan taken	(1,401.00)	(3,237.91)	(1,811.17)	(1,797.30)
	(ii) Reimbursement of Expenses	264.39	-	30.52	-
	(iii) Purchases	4.69	-	2.73	-
	(iv) Interest Expenses	172.11	-	69.87	-
	(v) Notional interest expense- Loan	39.71	-	51.35	-
	(vi) Share based payment Expense	23.91	-	64.44	-
	(vii) Equity contribution	(170.79)	(482.78)	(269.45)	(311.99)
	(viii) Royalty Charges	147.06	(627.68)	-	-
	(ix) Rent Expenses	43.11	-	-	-
	(x) Notional Interest cost on lease liability	17.52	(724.48)	-	-
	(xi) Commission on Financial Guarantee	7.00	-	-	-
<b>Fellow Subsidiary</b>					
Nykkaa E-Retail Private Limited	(i) Reimbursement of Expenses	2,143.22	(1,273.92)	625.24	(3.80)
	(ii) Purchases	-	-	29.29	-
	(iii) Rent Expenses	97.64	-	129.24	-
	(iv) Listing Fees	341.54	-	-	-
	(v) Wellness Market Place Commission	562.06	-	-	-
	(vi) Notional Interest cost on lease liability	2.30	(1.80)	14.55	(65.18)
<b>Key Management Personnel (KMP)</b>					
Ms. Adwaita Nayar	Remuneration	169.74	(10.87)	22.45	(1.84)

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 Fashion Private Limited**

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

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

**35 Earnings per share (EPS)**

**Basic EPS**

Profit after tax as per statement of profit and loss ( in lakhs) (A)

Basic weighted average number of equity shares outstanding (B)

Basic earning per share in Rupees (C=A/B)

For the year ended 31 March 2021	For the year ended 31 March 2020
(2,378.46)	(1,672.35)
10,000	10,000
<b>(23,784.60)</b>	<b>(16,723.50)</b>

**36 Commitments and contingencies**

**A Commitments**

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

The Company does not have lease contracts that have not yet commenced as at 31 March 2021.

**B Contingent liabilities (not provided for)**

The Company does not have any contingent liabilities

**37 Segment information:**

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.

i) The Company operates in a single geographical environment i.e.in India.

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



**Nykaa Fashion Private Limited****Notes to the financial statements for the year ended 31 March 2021***(All amounts in Rs. lakhs, unless otherwise stated)***38 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 others 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.

Disclosures fair value measurement hierarchy for assets/liabilities as at 31 March 2021 and 31 March 2020 is as under:

	Carrying value / Fair value as at	
	31-Mar-21	31-Mar-20
<b>Financial Assets:</b>		
At amortised cost		
Loans and advances	68.67	26.94
Trade receivables	125.28	50.07
Cash and cash equivalents	1,895.58	221.48
<b>Financial Liabilities:</b>		
At amortised cost		
Borrowings	3,233.84	1,797.30
Lease liabilities	1,111.08	315.62
Other financial liabilities	3,060.10	692.29
Trade payables	4,751.05	521.58





### 39 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 considers the amount of capital in proportion to risk and manages the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 31 March 2020.

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

		As at 31 March 2021	As at 31 March 2020
Gross debt		3,233.84	1,797.30
Less: Cash and cash equivalents		(1,895.58)	(221.48)
Net debt	(A)	1,338.26	1,575.82
Total Equity	(B)	(3,680.21)	(1,458.77)
Net gearing ratio	(A)/(B)	(0.36)	(1.08)

### 40 Financial risk management objectives and policies

The Company's principal financial liabilities comprise loan from holding company, working capital loan, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

#### A Market risk

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

##### A.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities denominated in foreign currency and thus the risk of changes in foreign exchange rates relates primarily to trade receivables and trade payables. Since the Company's overall foreign currency exposure is not significant, the Company does not hedge its foreign currency receivables.

##### Foreign currency sensitivity

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

##### A.2 Product price risk

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

##### A.3 Interest rate risk

The Company is exposed to interest rate risk primarily due to borrowings having floating interest rates. The Company uses available working capital limits for availing short-term working capital demand loans with interest rates negotiated from time to time so that the Company has an effective mix of fixed and variable rate borrowings. Interest rate sensitivity analysis shows that an increase / decrease of fifty basis points in floating interest rates would result in decrease / increase in the Company's profit before tax by approximately INR 16.52 lakhs (31 March 2020: INR 8.99 lakhs).



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

**B Credit risk**

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

**Trade receivables**

The Company's retail business is predominantly on 'cash on delivery', the credit risk on such collections is minimal. The Company has adopted a policy of dealing with only credit worthy counterparties in case of institutional customers and the credit risk exposure for institutional customers is managed by the Company by credit worthiness checks.

The Company's experience of delinquencies and customer disputes have been minimal. Further, Trade and other receivables consist of a large number of customers, across geographies, hence, the Company is not exposed to concentration risks.

Refer accounting policy 2(h)(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	125.28	0.03	125.25	50.07	0.01	50.06
More than 180 days	0.26	0.23	0.03	0.15	0.14	0.01
<b>Total</b>	<b>125.54</b>	<b>0.26</b>	<b>125.28</b>	<b>50.22</b>	<b>0.15</b>	<b>50.07</b>

**Security Deposits**

The Company also carries credit risk on lease deposits with landlords for office properties taken on leases, for which agreements are signed and property possessions timely taken for store operations. The risk relating to refunds is managed through successful negotiations or appropriate legal actions, where necessary.

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy.

**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	-	1,958.02	1,958.02	-	1,958.02	1,958.02
Working capital loan from bank	66.36	-	66.36	-	-	-
Trade payables	4,751.05	-	4,751.05	521.58	-	521.58
Salary payable	217.50	-	217.50	128.50	-	128.50
Lease liabilities	327.98	1,044.96	1,372.94	236.25	1,372.94	1,609.19
Other financial liabilities	2,842.60	-	2,842.60	668.44	-	668.44
	<b>8,205.49</b>	<b>3,002.98</b>	<b>11,208.47</b>	<b>1,554.77</b>	<b>3,330.96</b>	<b>4,885.73</b>



## Nykaa Fashion Private Limited

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

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

#### 41 Purchase of business

On 28th February 2021, the company entered into a business transfer agreement (BTA) with the Company "Pipa Bella Accessories Private Limited" to acquire the jewellery business on Slump sale basis. The business transfer involved transfer of certain assets and liabilities as stated in the BTA on a "slump sale basis" for an agreed cash consideration of Rs 190 lakhs

Pursuant to the above agreements and the necessary resolutions passed by the Board of Directors of the Company, the business stood transferred to the Company on 28th February 2021 and the following assets and liabilities acquired by the company were recorded at values as stated herein under. The values of fixed assets and intangible assets were recorded at fair values as determined by the external registered valuer and the difference between the value of net assets transferred and the aggregate purchase consideration is accounted as Goodwill as under :

<u>Particulars</u>	<u>Amount</u>
<b>Assets:</b>	
Fixed assets- Tangible	6.75
- Intangible (Karma Bangle)	150.00
Trade Receivables	13.61
Inventories	62.50
<b>Total assets transferred</b>	<b>232.86</b>
<b>Liabilities:</b>	
Trade payables	82.86
<b>Total liabilities transferred</b>	<b>82.86</b>
Consideration pursuant to BTA	190.00
Goodwill on Purchases of Jewellery business	40.00

Out of the outstanding of Rs. 190 lakhs, the company has paid Rs. 161.50 lakhs during FY 20-21. The outstanding balance of Rs. 28.50 lakhs is shown as other financial liabilities.

Further, the company has purchased interest in the Trademarks, Domain Name, Copyrights and Design of "Pipa Bella" for the consideration of Rs.344.44 lakhs from Parent company of Pipa Bella which has been shown under 'Trademark' in Note 6 of intangible assets.





# Nykaa Fashion Private Limited

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

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

### 42 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 23.91 lakhs (31 March 2020 INR 64.44 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 31 March 2021	As at 31 March 2020
	No. of Options	No. of Options
Outstanding at the beginning of the year	10,000.00	10,000.00
Exercised during the year	4,075.00	-
Outstanding at the end of the year	5,925.00	10,000.00
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	38,705.00	31,565.00
Granted during the year	11,480.00	7,300.00
Lapsed during the year	1,380.00	-
Exercised during the year	2,600.00	160.00
Outstanding at the end of the year	46,205.00	38,705.00
Exercise price range	INR 650 - 6,059.56	INR 650 - 3,862.21
Weighted average remaining contractual life (in years)	4.81	3.54

#### c Fair value of options granted

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

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

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

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



**d Modification during the year**

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

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

  

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

**d 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	133.26	-



**43 Impact of COVID-19 (pandemic)**

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.

**44 Deferred Tax Asset**

During the year ended March 31, 2021, the Company reassessed recognition of deferred tax assets on carry forward losses and unabsorbed depreciation. The Company recognised net deferred tax assets in respect of carry forward losses, unabsorbed depreciation and other temporary difference of Rs.1,378 lakhs as at March 31, 2021 (March 31, 2020: Rs.569 lakhs). In assessing the realisability of its deferred tax assets, management considers 3 years approved projections and believes that such projections are reliable and represent a convincing evidence that sufficient taxable profit will be available against which the carry forward losses and unabsorbed depreciation can be utilised. Deferred tax assets of Rs. 1,378 lakhs is realisable over a period of 2-5 years.

**45 Social Security Code Note**

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 Event after reporting dates**

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

**47 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*

A N Shah

Partner

Membership No: 42649



Place: Mumbai

Date: 07 June 2021

For and on behalf of Board of Directors of  
Nykaa Fashion Private Limited

*Anchit Nayar*  
Anchit Nayar  
Director  
DIN No.-08351358

*Adwaita Nayar*  
Adwaita Nayar  
Director  
DIN No.-07931382

*Neha Salia*  
Neha Salia  
Company Secretary  
ACS M.No. A26124

