

**Nykaa-KK Beauty Private Limited**  
**- Financial Statements as on 31 March 2020**

**INDEPENDENT AUDITOR'S REPORT**

**To the Members of Nykaa-KK Beauty Private Limited**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of **Nykaa-KK Beauty Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity, for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations provided to us, the aforesaid financial statements give the information required by the Companies Act, 2013 as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

**Basis for Opinion**

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



- (c) The Balance Sheet, the Statement of Profit and Loss including the Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With the Company being a Private Limited Company is eligible for the exemption from reporting on Internal Financial Controls Over Financial Reporting as required under Chapter X, Clause (i) of the sub section (3) of section 143 of the Companies Act as per the notification G.S.R 583(E) issued by MCA dated 13<sup>th</sup> June 2017. Hence reporting on Internal Financial Controls Over Financial Reporting is not required.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations provided to us:
- The Company does not have any pending litigations which would impact its financial position.
  - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.



Place: Mumbai  
Date: 19-Aug-2020

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

*A. N. Shah*

A. N. Shah  
Partner  
Membership No. 42649  
UDIN:20042649AABNHP7609

**“ANNEXURE A” TO THE INDEPENDENT AUDITOR’S REPORT**

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

(i)

- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, periodicity of physical verification is reasonable having regards to the size of the company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year. According to the information and explanations provided to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations provided to us, as the Company owns no immovable properties, the requirement on reporting whether title deeds of immovable properties held in the name of the Company is not applicable.

(ii) The inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.

(iii) According to the information and explanations provided to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Hence, clause (iii), (iii)(a), (iii)(b), (iii)(c) of paragraph 3 of the Order is not applicable.

(iv) In our opinion and according to the information and explanations provided to us, the Company has not granted any loans or made any investments or provided any guarantees, and security covered under section 185 and 186 of the Companies Act, 2013. Hence, clause (iv) of paragraph 3 of the Order is not applicable.

(v) In our opinion and according to the information and explanations provided to us, the Company has not accepted any deposits from the public during the year. Hence, clause (v) of paragraph 3 of the Order is not applicable.

(vi) We are informed that the Central Government has not prescribed maintenance of cost records under sub-section (1) of Section 148 of the Companies Act, 2013 in respect of the activities carried on by the Company. Hence, clause (vi) of paragraph 3 of the Order is not applicable.

(vii) According to the information and explanations provided to us, in respect of statutory dues:

- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise, Value Added Tax, cess, Goods & Services Tax and other material statutory dues applicable to it with the appropriate authorities.



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

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



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

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



*A. N. Shah*

A. N. Shah  
Partner  
Membership No. 42649  
UDIN: 20042649AABNHP7609

Place: Mumbai  
Date: 19-Aug-2020



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

	Notes	As at 31 March 2020	As at 31 March 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	4	8.35	-
Right of use assets	5	121.95	-
Intangible assets	6	8.78	-
Other non-current assets	7	239.52	0.30
Deferred tax assets (net)	8	1.39	0.65
<b>Total non-current assets</b>		<b>379.99</b>	<b>0.95</b>
<b>Current assets</b>			
Inventories	9	1,380.24	-
Financial assets			
Trade receivables	10	150.61	-
Cash and cash equivalents	11	0.76	99.32
Loans	12	0.03	-
Other current assets	13	88.45	-
<b>Total current assets</b>		<b>1,620.09</b>	<b>99.32</b>
<b>Total assets</b>		<b>2,000.08</b>	<b>100.27</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	14	100.00	100.00
Other equity	15	133.27	(3.99)
<b>Total equity</b>		<b>233.27</b>	<b>96.01</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	16A	205.36	2.32
Other financial liabilities	17	82.15	-
Provisions	18	0.22	-
<b>Total non-current liabilities</b>		<b>287.73</b>	<b>2.32</b>
<b>Current liabilities:</b>			
Financial liabilities			
Borrowings	16B	846.14	-
Trade payables	19		
-Total outstanding dues of Micro enterprise and small enterprise		8.31	-
-Total outstanding dues of creditors other than Micro enterprises and small enterprises		287.12	1.57
Other financial liabilities	20	330.81	0.29
Other current liabilities	21	6.70	0.08
Provisions	18	0.00	-
<b>Total current liabilities</b>		<b>1,479.08</b>	<b>1.94</b>
<b>Total liabilities</b>		<b>1,766.81</b>	<b>4.26</b>
<b>Total Equity and liabilities</b>		<b>2,000.08</b>	<b>100.27</b>

**Significant accounting policies**

Notes 4 to 43 form an integral part of these financials statements

As per our report attached

For V. C. Shah & Co.

Chartered Accountants

Firm Registration No: 109818W

*A N Shah*

A N Shah

Partner

Membership No: 42649



For and on behalf of Board of Directors of  
Nykaa-KK Beauty Private Limited

*Reena Chhabra*  
Reena Chhabra  
Director

DIN No. 03522080

*Neha Kanoria*  
Neha Kanoria  
Director

DIN No. 08179470

Place: Mumbai

Date: 19 August 2020

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

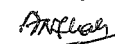
	Notes	Year ended 31 March 2020	Year ended 31 March 2019
Revenue from operations	22	1,494.49	-
Other Income	23	19.93	-
<b>TOTAL INCOME</b>		<b>1,514.42</b>	<b>-</b>
<b>EXPENSES</b>			
Cost of material consumed	24A	484.00	-
Purchase of Stock-In-trade	24B	895.92	-
Changes in inventories of finished goods, Stock-in -Trade and work in-progress	25	(691.14)	-
Employee benefits expense	26	36.75	-
Finance costs	28	103.76	0.06
Depreciation and amortization expense	27	21.99	-
Other expenses	29	586.32	4.81
<b>TOTAL EXPENSES</b>		<b>1,437.60</b>	<b>4.87</b>
<b>Profit before Exceptional items</b>		<b>76.82</b>	<b>(4.87)</b>
Add/(Less): Exceptional items			
<b>Profit / (Loss) before tax</b>		<b>76.82</b>	<b>(4.87)</b>
<b>Tax expense / (benefit) :</b>			
Current tax		22.72	-
Deferred tax	8	(0.72)	(0.65)
<b>Profit / (Loss) after tax</b>		<b>54.82</b>	<b>(4.22)</b>
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to profit or loss			
Remeasurement gain/(losses) on defined benefits plans		(0.06)	-
Income tax relating to items that will not be reclassified to profit or loss		0.02	-
Items that will not be reclassified to profit or loss, net of tax		(0.04)	-
<b>Total Comprehensive Income for the year</b>		<b>54.77</b>	<b>(4.22)</b>
<b>Earnings per share of face value Rs. 10/- each</b>			
Basic earnings per share (in Rs.)	34	7.68	(0.42)
Diluted earning per share (in Rs.)	34	7.68	(0.42)
<b>Significant accounting policies</b>	2		
<b>Notes 4 to 43 form an integral part of these financials statements</b>			

As per our report attached

For V. C. Shah &amp; Co.

Chartered Accountants

Firm Registration No: 109818W



A N Shah

Partner

Membership No: 42649



Place: Mumbai

Date: 19 August 2020

For and on behalf of Board of Directors of  
Nykaa-KK Beauty Private Limited



Reena Chhabra

Director

DIN No. 03522080



Neha Kanoria

Director

DIN No. 08179470

# Nykaa-KK Beauty Private Limited

## Statement of Cash Flows for the period ended 31 March 2020

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

	31 March 2020	31 March 2019
<b>Operating activities</b>		
Net profit / (loss) before exceptional items and tax	76.82	(4.87)
Adjustments to reconcile profit before tax to net cash flows:		
Adjustment for:		
Add: Depreciation and amortisation expense	21.99	-
Add: Interest expense	96.68	0.06
Add: Notional commission on financial guarantee	7.08	-
Add: Gratuity	0.16	-
Add: Expected credit loss	0.30	-
Add: Unrealised (Gain)/Loss on Foreign Exchange fluctuations (net)	(19.93)	-
<b>Operating profit before working capital changes</b>	<b>183.10</b>	<b>(4.81)</b>
Adjustments for changes in working capital:		
(Increase)/decrease in Trade receivables	(150.91)	(0.30)
(Increase)/decrease in Inventories	(1,380.24)	-
(Increase)/decrease in financial assets	(198.12)	-
(Increase)/decrease in other current assets	(88.45)	-
Increase / (decrease) in Trade payables	313.80	-
Increase / (decrease) in Other current and financial liabilities	412.17	1.94
<b>Cash generated from / (used) in operations</b>	<b>(908.65)</b>	<b>(3.17)</b>
Refund/(payment) of direct taxes (net)	(63.85)	-
<b>Net cash flow from / (used in) operating activities</b>	<b>(972.50)</b>	<b>(3.17)</b>
<b>Investing activities</b>		
Increase / (decrease) in Creditor for capital goods	7.12	-
Purchases of property plant & equipment (net)	(161.08)	-
<b>Net cash flows from / (used in) investing activities</b>	<b>(153.96)</b>	<b>-</b>
<b>Financing activities</b>		
Increase / (decrease) in Share capital	-	100.00
Increase / (decrease) in Non current borrowings	285.52	2.55
Interest Expense	(103.76)	(0.06)
<b>Net cash flows from / (used in) financing activities</b>	<b>181.76</b>	<b>102.49</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(944.70)</b>	<b>99.32</b>
Cash and cash equivalents at the beginning of the year	99.32	-
<b>Cash and cash equivalents at the end of the year</b>	<b>(845.38)</b>	<b>99.32</b>

### Note:

#### 1 Component of cash and cash equivalents

Cash and cash equivalents (refer note 11)	0.76	99.32
Add: Bank overdraft/cash credit (refer note 16)	(846.14)	-
<b>Total cash and cash equivalents</b>	<b>(845.38)</b>	<b>99.32</b>

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

### Notes 4 to 43 form an integral part of these financials statements

As per our report attached

For V. C. Shah & Co.

Chartered Accountants

Firm Registration No: 109818W

A N Shah

Partner

Membership No: 42649



For and on behalf of Board of Directors of  
Nykaa-KK Beauty Private Limited

Reena Chhabra

Director

DIN No. 03522080

Neha Kanoria

Director

DIN No. 08179470

Place: Mumbai

Date: 19 August 2020

# Nykaa-KK Beauty Private Limited

## Statement of Changes in Equity for the year ended 31 March 2020

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

### a. Equity Share Capital:

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

At 1 April 2018

Changes in equity share capital during 2018-19

At 31 March 2019

Changes in equity share capital during 2019-20

At 31 March 2020

No. of shares	Amount
-	-
10,00,000.00	100.00
10,00,000.00	100.00
-	-
10,00,000.00	100.00

For the year ended 31 March 2019

Particulars	Capital Contribution from parent	Reserves & Surplus	Other comprehensive income (OCI)	Total other equity
		Surplus/(Deficit) in statement of profit and loss		
Balance at the beginning of the reporting period	-	-	-	-
Net Profit for the period	-	(4.22)	-	(4.22)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(4.22)	-	(4.22)
Added during the year	0.23	-	-	0.23
Balance at the end of the reporting period	0.23	(4.22)	-	(3.99)

### b. Other Equity:

For the year ended 31 March 2020

Particulars	Capital Contribution from parent	Reserves & Surplus	Other comprehensive income (OCI)	Total other equity
		Surplus/(Deficit) in statement of profit and loss		
Balance at the beginning of the reporting period	0.23	(4.22)	-	(3.99)
Net Profit for the period	-	54.82	-	54.82
Other comprehensive income	-	-	(0.04)	(0.04)
Total comprehensive income	0.23	50.60	(0.04)	50.78
Added during the year	82.48	-	-	82.48
Balance at the end of the reporting period	82.71	50.60	(0.04)	133.27

### Significant accounting policies

Notes 4 to 43 form an integral part of these financials statements

As per our report attached

For V. C. Shah & Co.

Chartered Accountants

Firm Registration No: 109818W

*Antshah*

A N Shah

Partner

Membership No: 42649



For and on behalf of Board of Directors of  
Nykaa-KK Beauty Private Limited

*Reena Chhabra*

Director

DIN No. 03522080

*Neha Kanoria*

Director

DIN No. 08179470

Place: Mumbai

Date: 19 August 2020

## **Nykaa-KK Beauty Private Limited**

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

#### **Amounts in Indian Rupee**

#### **1. Corporate Information**

Nykaa-KK Beauty Private Limited (the 'Company') is a private Company incorporated on 13 July 2018 and domiciled in India. The Company is a joint venture between FSN E-Commerce Ventures Private Limited (the 'Holding Company'), Katrina Kaif and Matrix India Entertainment Consultants Private Limited. The registered office of the Company is located at 4-B, 4th Floor, Todi Building Mathuradas Mill Compound, Worli Mumbai – 400013.

The Company is engaged in the business of selling beauty, wellness, fitness, personal health care, skin care, hair care products and equipment's on/through e-commerce, m-commerce, internet, stores , stalls etc.

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

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

#### **2. Basis of preparation**

##### **i) Compliance with Ind AS:**

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

For year ended 31 March 2019, the Company prepared its financial statements in accordance accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended 31 March 2020 are the first the Company has prepared in accordance with Ind AS. Refer to note 40 for information on how the Company adopted Ind AS.

##### **ii) Historical cost conversion:**

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

**Nykaa-KK Beauty Private Limited**  
**Notes to Financial Statements as at and for the year ended 31 March 2020**  
**Amounts in Indian Rupee**

**3) Summary of significant accounting policies:**

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

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

**b) Property Plant & Equipment**

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

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

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or

**Nykaa-KK Beauty Private Limited****Notes to Financial Statements as at and for the year ended 31 March 2020****Amounts in Indian Rupee**

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.

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

**c) Intangible assets**

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

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

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

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

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

**Amortization of intangible assets:**

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

<b>Intangible asset</b>	<b>Useful lives (in years)</b>
Web portal development	3
Software	3

**Nykaa-KK Beauty Private Limited**  
**Notes to Financial Statements as at and for the year ended 31 March 2020**  
**Amounts in Indian Rupee**

***Research and development costs***

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

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

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

During the period of development, the asset is tested for impairment annually.

**Transition to Ind AS**

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

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

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

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

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

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



**Nykaa-KK Beauty Private Limited**

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

**Amounts in Indian Rupee**

**e) Inventory**

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

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

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

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

**f) Leases**

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

**Company as a lessee:**

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

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

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

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

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

- Right of use for Properties    2 to 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.

**Nykaa-KK Beauty Private Limited****Notes to Financial Statements as at and for the year ended 31 March 2020****Amounts in Indian Rupee**

The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment of non-financial assets.

**ii. Lease liabilities:**

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

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

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

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

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

**Company as a lessor**

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

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

**Sub-lease**

Leases in which the company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a

**Nykaa-KK Beauty Private Limited****Notes to Financial Statements as at and for the year ended 31 March 2020****Amounts in Indian Rupee**

straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

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

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

- fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties, if any, for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

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

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

**g) Financial Instruments**

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

**I. Initial recognition and measurement:**

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

**II. Subsequent measurement:****i. Financial assets**

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss

## Nykaa-KK Beauty Private Limited

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

#### Amounts in Indian Rupee

##### *Financial assets at amortised cost*

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

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

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

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

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

#### **ii. Financial liabilities**

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

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

### **III. Derecognition**

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

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

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

## Nykaa-KK Beauty Private Limited

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

Amounts in Indian Rupee

#### 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.

#### h) Revenue recognition:

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

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

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

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

##### *i. Sale of goods:*

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

Contacts where the Company's obligation is to arrange for the provision of goods and services by another party, the Company recognizes revenue in the amount of the commission to which it expects to be entitled in exchange for arranging for the provision of goods and services.

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

**Nykaa-KK Beauty Private Limited**

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

**Amounts in Indian Rupee**

**ii. Rendering of services:**

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

**iii. Contract balances:**

**- Contract assets**

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

**- Trade receivables**

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

**- Contract liabilities**

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

**II. Interest income:**

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

**i) Provisions**

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

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

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

**j) Foreign currency transactions**

**I. Functional and presentation currency**

**Nykaa-KK Beauty Private Limited**  
**Notes to Financial Statements as at and for the year ended 31 March 2020**  
**Amounts in Indian Rupee**

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

***II. Foreign currency transactions and balances***

**(i) Initial recognition**

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

**(ii) Conversion**

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

**(iii) Exchange differences**

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

**k) Retirement and other employee benefits**

***I. Short term employee benefits:***

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

***II. Retirement benefits:***

***i. Defined Contribution Plans:***

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

***ii. Defined Benefit Plans***

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

## **Nykaa-KK Beauty Private Limited**

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

#### **Amounts in Indian Rupee**

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

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

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

#### **l) Borrowing cost:**

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

#### **m) Fair value measurement**

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

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

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

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

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

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

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

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



**Nykaa-KK Beauty Private Limited**

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

**Amounts in Indian Rupee**

assets and liabilities. The management selects external valuer on various criteria such as market knowledge, reputation, independence and whether professional standards are maintained by valuer. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

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

**n) Income taxes**

Tax expense comprises current and deferred tax.

*Current income tax:*

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates.

*Deferred tax:*

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

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

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

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

Current tax and deferred tax are measured using the tax rates and tax laws enacted or substantively enacted, at the reporting date. Current income tax and deferred tax relating to items recognized outside profit and loss is recognized outside profit and loss (either in OCI or in equity).

**o) Cash and cash equivalents**

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

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

**Nykaa-KK Beauty Private Limited**

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

**Amounts in Indian Rupee**

**p) Contingent Liabilities**

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

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

**q) Earnings per share**

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

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

**r) Segment reporting policies**

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

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

**Nykaa-KK Beauty Private Limited**  
**Notes to Financial Statements as at and for the year ended 31 March 2020**  
**Amounts in Indian Rupees**

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

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

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

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

**I. Judgements:**

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

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

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

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

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

## **Nykaa-KK Beauty Private Limited**

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

#### **Amounts in Indian Rupees**

## **II. Estimates and assumptions:**

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

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

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

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

### **c. Estimation of defined benefit obligation**

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

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

### **d. Taxes**

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

### **e. Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

## **Nykaa-KK Beauty Private Limited**

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

#### **Amounts in Indian Rupees**

**f. Provision**

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

**g. Impairment of financial assets:**

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

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

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

The provision matrix is initially based on the Company's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

**i. Leases – Estimating the incremental borrowing rates:**

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

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

**Nykaa-KK Beauty Private Limited**

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

**Amounts in Indian Rupees**

**3B. Standard / Amendments issued:**

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

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

**Nykaa-KK Beauty Private Limited**
**Notes to the financial statements for the year ended 31 March 2020**

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

**4 Property, Plant and Equipment**

	Computers	Furniture & Fixtures	Plant & Machinery	Total
<b>Cost or deemed cost (gross carrying amount)</b>				
As at 1 April 2018	-	-	-	-
Additions	-	-	-	-
Disposals/transfers	-	-	-	-
As at 31 March 2019	-	-	-	-
Additions	0.40	7.51	1.09	9.00
Disposals/transfers	-	-	-	-
As at 31 March 2020	0.40	7.51	1.09	9.00
<b>Accumulated depreciation and impairment losses</b>				
As at 1 April 2018	-	-	-	-
Depreciation charge for the year	-	-	-	-
Disposals	-	-	-	-
As at 31 March 2019	-	-	-	-
Depreciation charge for the year	0.03	0.56	0.05	0.64
Disposals	-	-	-	-
As at 31 March 2020	0.03	0.56	0.05	0.64
<b>Net Book Value</b>				
As at 31 March 2020	0.37	6.95	1.04	8.36
As at 31 March 2019	-	-	-	-

# Movable assets have been pledged to secure borrowings of the Company (Refer Note 16.1)

\*Plant and machinery having cost of Rs. 1.09 lakhs are held by vendors

**5 Right of use assets**

	Right of use assets	Total
<b>Cost or deemed cost (gross carrying amount)</b>		
As at 1 April 2018	-	-
Additions	-	-
Disposals/transfers	-	-
As at 31 March 2019	-	-
Additions	140.68	140.68
Disposals/transfers	-	-
As at 31 March 2020	140.68	140.68
<b>Accumulated depreciation and impairment losses</b>		
As at 1 April 2018	-	-
Depreciation charge for the year	-	-
Disposals	-	-
As at 31 March 2019	-	-
Depreciation charge for the year	18.73	18.73
Disposals	-	-
As at 31 March 2020	18.73	18.73
<b>Net Book Value</b>		
As at 31 March 2020	-	-
As at 31 March 2019	121.95	121.95

**Nykaa-KK Beauty Private Limited****Notes to the financial statements for the year ended 31 March 2020**

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

**Intangible assets**

	<b>Softwares</b>	<b>Total</b>
<b>Gross block</b>		
As at 1 April 2018	-	-
Additions	-	-
Disposals/transfers	-	-
As at 31 March 2019	-	-
Additions	11.40	11.40
Disposals/transfers	-	-
As at 31 March 2020	11.40	11.40
<b>Amortisation and impairment</b>		
As at 1 April 2018	-	-
Depreciation charge for the year	-	-
Disposals	-	-
As at 31 March 2019	-	-
Depreciation charge for the year	2.62	2.62
Disposals	-	-
As at 31 March 2020	2.62	2.62
<b>Net Book Value</b>		
As at 31 March 2020	8.78	8.78
As at 31 March 2019	-	-
As at 1 April 2018	-	-



# **Nykaa-KK Beauty Private Limited**

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

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

### **7 Other non-current assets**

	<b>At 31 March 2020</b>	<b>At 31 March 2019</b>
Balance with Government authority	198.40	0.30
Advance Tax (Net off provision)	41.13	-
	<b>239.52</b>	<b>0.30</b>

### **8 Income Taxes**

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

#### **A Statement of profit and loss:**

	<b>For the year ended 31 March 2020</b>	<b>For the year ended 31 March 2019</b>
<b>i. Profit or loss section:</b>		
<b>Current income tax:</b>	22.72	-
Current income tax charge	-	-
Adjustments in respect of current income tax of previous year		
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(0.72)	(0.65)
<b>Income tax expense/(income) reported in the statement of profit or loss</b>	<b>22.00</b>	<b>(0.65)</b>
<b>ii. OCI section - Deferred tax related to items recognised in OCI during in the</b>		
Tax Expenses/(Income) on remeasurements of defined benefit plans	(0.02)	-
<b>Income tax expense charged to OCI</b>	<b>(0.02)</b>	<b>-</b>

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

	<b>For the year ended 31 March 2020</b>	<b>For the year ended 31 March 2019</b>
<b>Profit before tax</b>	<b>76.82</b>	<b>(4.87)</b>
Applicable tax rate	25.17%	26.00%
Tax using the Company's domestic tax rate	19.34	-
<b>Effect of:</b>		
Add: Adjustments in respect of current income tax of previous year	-	-
Depreciation as per Income tax losses not allowable to be carried forward	-	-
<b>Effective tax rate</b>	<b>25.17%</b>	<b>-</b>

#### **C Deferred tax:**

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

<b>Particulars</b>	<b>At 31 March 2020</b>	<b>At 31 March 2019</b>
Impact of difference between tax depreciation and depreciation as per books	0.14	-
Provision of doubtful receivables	-	-
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	0.06	-
Impact of difference in assets as per books and tax	31.89	-
Impact of brought forward losses	-	0.65
<b>Deferred tax assets (A)</b>	<b>32.09</b>	<b>0.65</b>
Impact of difference between tax depreciation and depreciation as per books	-	-
Impact of difference in assets as per books and tax	30.69	-
Others	-	-
<b>Deferred tax liabilities (B)</b>	<b>30.69</b>	<b>-</b>
<b>Deferred tax assets (C=A-B)</b>	<b>1.40</b>	<b>0.65</b>

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

**Nykaa-KK Beauty Private Limited**
**Notes to the financial statements for the year ended 31 March 2020**

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

**ii. Reconciliation of deferred tax assets (net):**
**Opening balance as of 1 April**

Tax income/(expense) during the period recognised in profit or loss

Tax income/(expense) during the period recognised in OCI

**Closing balance as at 31 March**

At 31 March 2020	At 31 March 2019
0.65	-
0.72	0.65
0.02	-
1.39	0.65

**9 Inventories**

(Valued at lower of cost and net realisable value)

Raw materials

Packaging material

Finished goods

At 31 March 2020	At 31 March 2019
669.25	-
19.85	-
691.14	-
1,380.24	-

**10 Current financial assets - Trade receivables**

Trade receivables- Considered Good - Secured

Trade receivables - Considered Good - Unsecured

Trade receivables which have significant increase in credit risk

Trade receivables credit impaired

Less: Provision for expected credit loss

At 31 March 2020	At 31 March 2019
-	-
150.91	-
-	-
-	-
0.30	-
150.61	-

**10.1 For details of trade receivables with related party refer note 33 related party disclosures**
**11 Current financial assets - Cash and cash equivalents**

Cash on hand

Balances with banks

- in current accounts

At 31 March 2020	At 31 March 2019
0.04	-
0.72	99.32
0.76	99.32

**12 Current financial assets - Loans**

(Measured at amortised cost, except otherwise stated)

Security Deposits (Unsecured)

Considered Good

At 31 March 2020	At 31 March 2019
0.03	-
0.03	-

**13 Other current assets**

Advance against expenses (unsecured, considered good)

Advance to suppliers (unsecured, considered good)

Prepaid expenses

At 31 March 2020	At 31 March 2019
6.28	-
62.50	-
19.67	-
88.45	-

# Nykaa-KK Beauty Private Limited

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

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

### 14 Share Capital

#### i) Authorised Share Capital

	At 31 March 2020	At 31 March 2019
10,00,000 (31 March 2019: 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 2020	At 31 March 2019
10,00,000 (31 March 2019: 10,00,000) equity shares of Rs 10/- each	100.00	100.00

iii) There are no bonus shares issued, shares issued for consideration other than cash and shares bought back since inception immediately preceding the re

#### 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 2020	At 31 March 2019
FSN E-Commerce Ventures Private Limited (Holding Company)		
5,10,000 (31 March 2019: 5,10,000) equity shares of Rs 10/- each	51.00	51.00

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

Name of the shareholder	As at 31 March 2020		As at 31 March 2019	
	No. of shares	% holding	No. of shares	% holding
FSN E-Commerce Ventures Private Limited	5,10,000	51.00	5,10,000	51.00
Katrina Kaif	4,15,000	41.50	4,15,000	41.50
Matrix India Entertainment Consultant Pvt Ltd	75,000	7.50	75,000	7.50

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

#### a. Surplus / (Deficit) in statement of profit and loss

	At 31 March 2020	At 31 March 2019
Opening balance	(4.22)	-
Add: Profit / (Loss) during the year	54.82	(4.22)
Less: Dividend paid	-	-
Closing balance	50.60	(4.22)

#### b. Other comprehensive income

	At 31 March 2020	At 31 March 2019
Opening balance	-	-
Add : Additions during the year	(0.04)	-
Less: Transfer during the year	-	-
Closing balance	(0.04)	-

#### c. Capital contribution from Parent (Equity component)

	At 31 March 2020	At 31 March 2019
Opening balance	0.23	-
Add : Additions during the year	82.48	0.23
Less: Transfer during the year	-	-
Closing balance	82.71	0.23
	133.26	(3.99)

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

2) Contribution from Parent Company consists of:

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

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

# Nykaa-KK Beauty Private Limited

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

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

### 16A Borrowings - non-current

(Carried at amortised cost, except otherwise stated)

#### Unsecured loans

Loan from Holding Company (FSN E-Commerce Ventures Private Limited)

At 31 March 2020	At 31 March 2019
205.36	2.32
<b>205.36</b>	<b>2.32</b>

#### 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 45 for maturity profile of above loans

16A.2 Maximum amount of loan outstanding during the year was INR 1,160.72 lakhs (31 March 2019 - INR 2.55 lakhs)

### 16B Current financial liabilities - Borrowings

(Secured - carried at amortized cost)

Working capital loan from Banks

At 31 March 2020	At 31 March 2019
846.14	-
<b>846.14</b>	<b>-</b>

16B.1 Working Capital / cash credit facilities from banks are secured against first charge on all current assets, moveable property both present and future and corporate guarantee of FSN E-Commerce Ventures Private Limited (Holding Company)

16B.2 Loan is payable on demand. Interest payable on working capital loan is MCLR adjusted with the risk spread mutually agreed between the parties.

16B.3 Maximum amount of loan outstanding during the year was INR 850.00 lakhs (31 March 2019 - INR Nil lakhs)

16B.4 Bank loan contain certain financial covenants & the Company has satisfied all covenants as per the terms of bank loan.

16B.5 At 31 March 2020, the Company had available INR 3.85 lakhs (31 March 2019: INR Nil lakhs) of undrawn committed borrowing facilities.

#### Details of working capital loan are as follows:

##### Particulars

Kotak Mahindra bank loan

At 31 March 2020	At 31 March 2019
846.14	-
<b>846.14</b>	<b>-</b>

### 17 Other financial liabilities - Non Current

Payable for operating lease liabilities\*

At 31 March 2020	At 31 March 2019
82.15	-
<b>82.15</b>	<b>-</b>

(For details of payable for operating lease liabilities with related party refer note 33 related party disclosures)

\*The effective interest rate for lease liabilities is 11.50% as on 31 March 2020 (11.50% as on 31 March 2019)

#### Changes in liabilities arising from financing activities

Particulars	At 1 April 2019	Cash Flows	At 31 March 2020
<b>For the year ended 31 March 2020</b>			
Loan from holding company	2.32	203.04	205.36
Lease liabilities	-	82.15	82.15
Working capital loans from banks	-	846.14	846.14
<b>Total liability from financing activity</b>	<b>2.32</b>	<b>1,131.33</b>	<b>1,133.65</b>
	<b>At 1 April 2018</b>	<b>Cash Flows</b>	<b>At 31 March 2019</b>
<b>For the year ended 31 March 2019</b>			
Loan from holding company	-	2.32	2.32
Lease liabilities	-	-	-
Working capital loans from banks	-	-	-
<b>Total liability from financing activity</b>	<b>-</b>	<b>2.32</b>	<b>2.32</b>

# **Nykaa-KK Beauty Private Limited**

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

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

### **18 Provisions**

#### **Non-current:**

Employee benefits - gratuity (refer note 32)

At 31 March 2020	At 31 March 2019
0.22	-
<b>0.22</b>	<b>-</b>

#### **Current:**

Employee benefits - gratuity (refer note 32) (0.00 represents amount less than Rs 500/-)

At 31 March 2020	At 31 March 2019
0.00	-
<b>0.00</b>	<b>-</b>

### **19 Current financial liabilities - Trade payables**

Total outstanding dues of Micro enterprise and small enterprise

Total outstanding dues of creditors other than Micro enterprises and small enterprises

At 31 March 2020	At 31 March 2019
8.31	-
287.12	1.57
<b>295.43</b>	<b>1.57</b>

19.1 For details of trade payable with related party refer note 33 related party disclosures

19.2 This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

- a) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.
- b) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.
- c) The amount of interest due and payable for the period of delay in making payment
- d) The amount of interest accrued and remaining unpaid at the end of each accounting year
- e) The amount of further interest remaining due and payable

At 31 March 2020	At 31 March 2019
8.31	-
-	-
-	-
-	-
-	-
<b>8.31</b>	<b>-</b>

### **20 Other financial liabilities - Current**

Provision for expenses

Current maturity of lease liabilities

Advance from customers

Creditors for capital goods

Employee related liabilities -Salary payable

At 31 March 2020	At 31 March 2019
77.65	0.29
44.55	-
199.38	-
7.12	-
2.11	-
<b>330.81</b>	<b>0.29</b>

(For details of payable for lease liability with related party refer note 33 related party disclosures)

\*The effective interest rate for lease liabilities is 11.50% as on 31 March 2020 (11.50% as on 31 March 2019)

**Nykaa-KK Beauty Private Limited**

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

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

**Changes in liabilities arising from financing activities**

Particulars	At 1 April 2019	Cash Flows	At 31 March 2020
<b>For the year ended 31 March 2020</b>			
Current maturity of lease liabilities	-	44.55	44.55
Employee related liabilities -Salary payable	-	2.11	2.11
<b>Total liability from financing activity</b>	-	<b>46.66</b>	<b>46.66</b>
	<b>At 1 April 2018</b>	<b>Cash Flows</b>	<b>At 31 March 2019</b>
<b>For the year ended 31 March 2019</b>			
Current maturity of lease liabilities	-	-	-
Employee related liabilities -Salary payable	-	-	-
<b>Total liability from financing activity</b>	-	-	-
<b>21 Other current liabilities</b>		<b>At 31 March 2020</b>	<b>At 31 March 2019</b>
Statutory dues payable		6.70	0.08
		<b>6.70</b>	<b>0.08</b>

**Nykaa-KK Beauty Private Limited**
**Notes to the financial statements for the year ended 31 March 2020**
*(All amounts in Rs. lakhs, unless otherwise stated)*
**22 Revenue from operations**

- A. Sale of product  
B. Sale of service

At 31 March 2020	At 31 March 2019
1,494.49	-
-	-
<b>1,494.49</b>	<b>-</b>

**23 Other income**

- Foreign exchange gain

At 31 March 2020	At 31 March 2019
19.93	-
<b>19.93</b>	<b>-</b>

**24A Cost of material consumed**

- Opening Stock  
Purchase  
Closing Stock

At 31 March 2020	At 31 March 2019
-	-
1,173.10	-
(689.10)	-
<b>484.00</b>	<b>-</b>

**24B Purchase of Stock-In-trade**

- Purchases

At 31 March 2020	At 31 March 2019
895.92	-
<b>895.92</b>	<b>-</b>

**25 Changes in inventories of finished goods, Stock-in -Trade and working-progress**

- (Beauty and Hygiene)  
Opening balance :  
Closing balance :

At 31 March 2020	At 31 March 2019
-	-
(691.14)	-
<b>(691.14)</b>	<b>-</b>

**26 Employee benefits expense**

- Salaries, Wages and Bonus  
Contribution to provident and other funds  
Staff welfare expenses  
Gratuity expenses (Refer Note 32)

At 31 March 2020	At 31 March 2019
36.14	-
0.07	-
0.38	-
0.16	-
<b>36.75</b>	<b>-</b>

**27 Depreciation and amortization 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)

At 31 March 2020	At 31 March 2019
0.64	-
18.73	-
2.62	-
<b>21.99</b>	<b>-</b>

**28 Finance costs**

- Interest on:  
- loans  
- lease liabilities  
Commission on financial guarantee  
Finance charges

At 31 March 2020	At 31 March 2019
84.87	0.06
7.76	-
7.08	-
4.05	-
<b>103.76</b>	<b>0.06</b>

**Nykaa-KK Beauty Private Limited****Notes to the financial statements for the year ended 31 March 2020***(All amounts in Rs. lakhs, unless otherwise stated)***29 Other Expenses**

	<u>At 31 March 2020</u>	<u>At 31 March 2019</u>
Product Testing & Development Charges	6.46	-
Marketing & Advertisement Expense	416.58	-
Labour charges	18.49	-
Design and packaging	41.47	-
BA Salary	42.34	-
Rates and taxes	35.74	0.38
Repairs and Maintenance - Others	1.90	-
Travelling and Conveyance	0.16	-
ROC charges	-	2.23
Legal and professional fees	4.44	1.74
Expected Credit Loss	0.30	-
Bank charges	2.09	0.03
Auditors Remuneration :		
Audit fees	0.65	0.25
Taxation Matters	0.60	0.08
Miscellaneous expenses	15.10	0.10
	<u><b>586.32</b></u>	<u><b>4.81</b></u>



**Nykaa-KK Beauty Private Limited****Statement of Profit and Loss for the year ended 31 March 2020***(All amounts in Rs. lakhs, unless otherwise stated)***30 Revenue from Contracts with Customers****a. Disaggregation of revenue from contracts with customers**

The Company derives its major revenue from sale of products, which is a single line of business.

**b. Contract Balances****Particulars****Trade Receivables****Contract Assets****Contract Liabilities****Revenue recognized in the period from:**

Amounts included in contract liability at the beginning of the period

Performance obligations satisfied in previous periods

	<b>At 31 March 2020</b>	<b>At 31 March 2019</b>
Trade Receivables	150.61	-
Contract Assets	-	-
Contract Liabilities	-	-
Revenue recognized in the period from:		
Amounts included in contract liability at the beginning of the period	-	-
Performance obligations satisfied in previous periods	-	-

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

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

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

There is no significant contracts during there period in the contract assets and contract liabilities presented.

**c. Performance Obligation:**

The Company enters into contract with majority of its customers to sale products for a consideration on a MRP minus mark-down basis and which constitute a single performance obligation once goods transferred to customer.

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

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

**Sale of services**

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

**e. Costs to obtain the contract:**

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

**Nykaa-KK Beauty Private Limited****Statement of Profit and Loss for the year ended 31 March 2020***(All amounts in Rs. lakhs, unless otherwise stated)***31 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 and variable lease payments, 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 2020	As at 31 March 2019
As at 1 April	-	-
<b>Add</b> Addition	140.68	-
<b>Add</b> Accretion of interest	7.76	-
<b>Less</b> Payments	21.73	-
Closing balance as on March 31	<u>126.71</u>	<u>-</u>
Current	44.55	-
Non-current	<u>82.16</u>	<u>-</u>
	<u>126.71</u>	<u>-</u>

The maturity analysis of lease liability is disclosed in note 39

	For the year ended 31 March 2020	For the year ended 31 March 2019
The following amount are recognised in profit and loss		
Depreciation expenses of right of use assets	18.73	-
Interest expenses on lease liabilities	7.76	-
Expenses relating to short term leases	-	-
Expenses relating to low value leases	-	-
Variable lease payments	-	-
	<u>26.49</u>	<u>-</u>

The Company had total cash outflow for leases of INR 21.73 lakhs (31 March 2019 : INR Nil)

**Nykaa-KK Beauty Private Limited****Notes to the financial statements for the year ended 31 March 2020***(All amounts in Rs. lakhs, unless otherwise stated)***32 Gratuity and post-employment benefit plan:****I) Defined Contribution Plan**

During the year, the Company has made contribution/provision to provident fund stated under defined contribution plan amounting to INR 0.07 lakhs (previous year INR Nil 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 2020 and 31 March 2019.****i. Amount to be recognised in balance sheet**

Particulars	At 31 March 2020	At 31 March 2019
Present value of defined benefit obligation	0.22	-
Less: Fair value of plan assets	-	-
Funded status – deficit / (surplus)	0.22	-
Net liability recognised in balance sheet	0.22	-

**ii. Changes in the present value of defined benefit obligation**

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening defined benefit obligation	-	-
Current service cost	0.16	-
Interest cost	-	-
Remeasurement gain/loss	-	-
Experience adjustments	0.06	-
Benefit paid	-	-
Closing defined benefit obligations	0.22	-

**iii. Changes in the fair value of plan assets**

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

**iv. Net defined benefit liability/ (asset) reconciliation**

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening net defined benefit liability/ (asset)	-	-
Defined benefit cost included in P&L	0.16	-
Total re-measurements included in OCI	0.06	-
Employer contributions	-	-
Employer direct benefit payments	-	-
Closing net defined benefit liability/ (asset)	0.22	-

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

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

**Nykaa-KK Beauty Private Limited**
**Notes to the financial statements for the year ended 31 March 2020**
*(All amounts in Rs. lakhs, unless otherwise stated)*
**B Amount for the year ended 31 March 2020 and 31 March 2019 recognised in the Statement of Profit and Loss under employee benefit expenses and other comprehensive income**

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current service cost	0.16	-
Net Interest expenses	-	-
<b>The total amount recognised in profit and loss account</b>	<b>0.16</b>	<b>-</b>
Actuarial (Gains)/Losses in obligation for year ended due to changes in demographic/financial assumptions	-	-
Actuarial (Gains)/Losses in obligation for year ended due to changes in Experience adjustments	0.06	-
<b>The total amount recognised in other comprehensive income (OCI)</b>	<b>0.06</b>	<b>-</b>

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

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Mortality Table	IALM (2012-14)	-
Discount rate:	6.50%	-
Future salary increases*	5.00%	-
Withdrawal rates	1.00%	-
IALM - Indian Assured Lives Mortality (Ultimate)	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 2020	At 31 March 2019
Within the next 12 months (next annual reporting period)	-	-
Between 2 and 5 years	-	-
Between 5 and 10 years	-	-
Beyond 10 years	85.21	-
<b>Total expected payments</b>	<b>85.21</b>	<b>-</b>

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

**E Sensitivity analysis**

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

Particulars	At 31 March 2020	At 31 March 2019
<b>Discount rate (-/+ 1%)</b>		
Decrease by 100 basis points	0.27	-
Increase by 100 basis points	0.18	-
<b>Future salary increase (-/+ 1%)</b>		
Decrease by 100 basis points	0.18	-
Increase by 100 basis points	0.27	-

**Nykaa-KK Beauty Private Limited****Notes to the financial statements for the year ended 31 March 2020**

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

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-KK Beauty Private Limited

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

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

## 33 Related party transactions

### A. Names of the related parties

Names of related parties where control exists irrespective of whether transactions have occurred or not

Name of entity	Nature of relationship
FSN E-Commerce Ventures Private Limited	Holding company
FSN Brands Marketing Private Limited	Fellow subsidiary
Nykaa E-Retail Private Limited	Fellow subsidiary
Nykaa Fashion Private Limited	Fellow subsidiary
FSN International Private Limited	Fellow subsidiary

### B. Transactions with Related parties

Particulars	Nature of transactions	Transactions during the year ended 31 March 2020	Outstanding balances as on 31 March 2020	Transactions during the year ended 31 March 2019	Outstanding balances as on 31 March 2019
<b>Holding company</b>					
FSN E-Commerce Ventures Private Limited	(i) Loan taken	207.36	205.36	2.49	2.32
	(ii) Rent Expense	21.73	-	-	-
	(iii) Reimbursement of Expenses	52.81	-	-	-
	(iv) Purchases	138.54	182.51	-	-
	(v) Interest Expenses	22.82	-	0.06	-
	(vi) Lease liability	-	126.71	-	-
	(vii) Interest cost on lease liability	7.76	-	-	-
	(viii) Notional commission on financial	7.08	-	-	-
	(ix) Notional interest expense on loan	38.41	-	-	-
	(x) Equity contribution	82.48	82.72	0.23	0.23
<b>Fellow subsidiary</b>					
Nykaa E-Retail Private Limited	(i) Sales	740.23	199.38	-	-
	(ii) Discount Expenses	21.34	-	-	-
	(iii) Marketing Expenses	59.89	-	-	-
<b>Fellow subsidiary</b>					
FSN Brands Marketing Private Limited	(i) Sales	626.75	(150.91)	-	-
	(ii) SOH/ SKU Commercialization Expense	43.71	-	-	-
	(iii) Discount Expenses	6.43	-	-	-

Figures in brackets indicates receivables

### 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. There have been no guarantees provided or received for any related party receivables or payables

**Nykaa-KK Beauty Private Limited****Notes to the financial statements for the year ended 31 March 2020***(All amounts in Rs. lakhs, unless otherwise stated)***34 Earnings per share (EPS)****Basic and diluted EPS**

Profit after tax as per statement of profit and loss ( in Lakhs) (A)  
Basic weighted average number of equity shares outstanding (B)  
Basic and diluted earning per share in Rupees (C=A/B)

For the year ended 31 March 2020	For the year ended 31 March 2019
76.82	(4.22)
10,00,000	10,00,000
7.68	(0.42)

**35 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 2020 (31 March 2019 – Nil)

The Company has various lease contracts that have not yet commenced as at 31 March 2020. The future lease payments for theses non-cancellable lease contracts are INR Nil Lakhs within one year , INR Nil Lakhs within five years and INR Nil Lakhs thereafter.

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

The Company does not have any contingent liabilities

**36 Segment information:**

The Company is mainly engaged sale of beauty, wellness and other related products in India. All the activities of the Company revolve around this main business. The Chief Operating decision maker (CODM) monitors the operating results of the business as a whole for the purpose of making decision about resource allocation and performance assessment.

Accordingly, the Company is a single segment Company in accordance with Indian Accounting Standard 108 "Operating Segment".

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

**Segment revenue and results:**

Revenue and expenses directly attributable to segments are reported under each reportable segment.

Unallocated income and expenses represents those income and expenses which pertain to common services / infrastructure and are reviewed on a group basis by the CODM and therefore not allocated to any segments.

**Segment assets and Liabilities:**

Segment assets include all operating assets used by the operating segment and mainly consist of trade receivables, inventories and other operating assets. Segment liabilities primarily includes trade payable and other liabilities.

Common assets and liabilities which cannot be allocated to any of the business segment are shown as unallocable assets / liabilities.

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

**a) Revenue from operations**

Company has revenue from operations within India.

**b) Non-current operating assets**

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

**c) The Company does not have revenue from transactions with a single external customer amount to 10 percent or more of the total revenue.**

**Nykaa-KK Beauty Private Limited****Notes to the financial statements for the year ended 31 March 2020***(All amounts in Rs. lakhs, unless otherwise stated)***37 Fair value measurement hierarchy**

The fair values of financial assets and liabilities are included at the amount at which the instrument can be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- a. Carrying values of financial assets i.e. cash and cash equivalents, trade receivables, others financial assets and of financial liabilities i.e. trade and other payables, working capital loan borrowing and 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 2020 is as under:

	Level of inputs used in	Carrying amount as at	
		31 March 2020	31 March 2019
<b>Financial Assets:</b>			
<b>At amortised cost</b>			
Loans and advances	Level 3	0.03	-
Trade receivables	Level 3	150.61	-
Cash and cash equivalents	Level 3	0.76	99.32
<b>Financial Liabilities:</b>			
<b>At amortised cost</b>			
Borrowings	Level 3	1,051.50	2.32
Other financial liabilities	Level 3	412.97	0.29
Trade payables	Level 3	295.43	1.57



## Nykaa-KK Beauty Private Limited

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

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

#### 38 Capital management

The Company aims to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to its shareholders.

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

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 31 March 2019.

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

		As at 31 March 2020	As at 31 March 2019
Gross debt		1,051.50	2.32
Less: Cash and cash equivalents		0.76	99.32
Net debt	(A)	1,050.74	(97.00)
Total Equity	(B)	233.27	96.01
Net gearing ratio	(A)/(B)	4.50	(1.01)

#### 39 Financial risk management objectives and policies

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

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

##### A Market risk

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

##### A.1 Foreign currency risk

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

##### Foreign currency sensitivity

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

##### A.2 Product price risk

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

##### A.3 Interest rate risk

The Company is exposed to interest rate risk primarily due to borrowings having floating interest rates. The Company uses available working capital limits for availing short-term working capital demand loans with interest rates negotiated from time to time so that the Company has an effective mix of fixed and variable rate borrowings. Interest rate sensitivity analysis shows that an increase / decrease of fifty basis points in floating interest rates would result in decrease / increase in the Company's profit before tax by approximately INR 5.32 lacs (2019: Nil lacs).

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

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

**Trade receivables**

The Company's wholesale business is predominantly on credit period of 0 to 60 days, 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, the Company is not exposed to concentration risks.

**Security Deposits**

The Company does not carries credit risk on lease deposits with landlords.

**Financial instruments and cash deposits**

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

**C Liquidity risk**

Liquidity risk is a risk that the Company may not be able to meet its financial obligations on a timely basis through its cash and cash equivalents, and funds available by way of committed credit facilities from banks.

Management manages the liquidity risk by monitoring rolling cash flow forecasts and maturity profiles of financial assets and liabilities. This monitoring includes financial ratios and takes into account the accessibility of cash and cash equivalents and additional undrawn financing facilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Particulars	As at 31 March 2020			As at 31 March 2019		
	< 1 year	1 to 5 years	Total	< 1 year	1 to 5 years	Total
Loan from holding company	-	232.67	232.67	-	2.55	2.55
Working capital loan from bank	846.14	-	846.14	-	-	-
Trade payables	295.43	-	295.43	1.57	-	1.57
Salary payable	2.11	-	2.11	-	-	-
Lease liabilities	44.55	111.46	156.01	-	-	-
	<b>1,188.23</b>	<b>344.13</b>	<b>1,532.36</b>	<b>1.57</b>	<b>2.55</b>	<b>4.12</b>

**Nykaa-KK Beauty Private Limited**

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

**Amounts in Indian Rupees**

**Note no: 42 First-time adoption of IND AS**

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

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2020, together with the comparative period data as at and for the year ended 31 March 2019, as described in the summary of significant accounting policies. parent

This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements as at and for the year ended 31 March 2019.

**I. Exemptions applied**

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

**a. Leases:**

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

**II. Exceptions:**

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

**a. Estimates:**

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

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions as of 31 March 2019.

**b. Classification and measurement of financial assets**

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

**Nykaa-KK Beauty Private Limited**

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

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

**40 First-time adoption of Ind AS**

**Reconciliation of equity as at 31 March 2019**

	Footnotes	Indian GAAP *	Adjustments	Ind AS
<b>Assets</b>				
<b>Non -Current assets</b>				
Other non-current assets		0.30	-	0.30
Deferred tax assets (net)	2	-	0.65	0.65
<b>Current assets</b>				
Financial Assets				
Trade receivables		-	-	-
Cash and cash equivalents		99.32	-	99.32
Other current assets		-	-	-
		<u>99.62</u>	<u>0.65</u>	<u>100.27</u>
<b>Total assets</b>		<u>99.62</u>	<u>0.65</u>	<u>100.27</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Equity share capital		100.00	-	100.00
Other equity	3	(4.87)	0.88	(3.99)
<b>Total equity</b>		<u>95.13</u>	<u>0.88</u>	<u>96.01</u>
<b>Non-current liabilities</b>				
Financial liabilities				
Borrowings	3	2.55	(0.23)	2.32
<b>Current liabilities</b>				
Financial Liabilities				
Trade payables		1.57	-	1.57
Other financial liabilities		0.29	-	0.29
Other current liabilities		0.08	-	0.08
		<u>1.94</u>	<u>-</u>	<u>1.94</u>
<b>Total liabilities</b>		<u>4.49</u>	<u>(0.23)</u>	<u>4.26</u>
<b>Total equity and liabilities</b>		<u>99.62</u>	<u>0.64</u>	<u>100.27</u>

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

	Footnotes	Indian GAAP*	Adjustments	Ind AS
<b>Continuing operations</b>				
<b>Total expense</b>				
Finance costs		0.06	-	0.06
Other expenses		4.81	-	4.81
<b>Total expense</b>		<b>4.87</b>	<b>-</b>	<b>4.87</b>
<b>Profit before exceptional items</b>		<b>(4.87)</b>	<b>-</b>	<b>(4.87)</b>
Add/(Less): Exceptional items		-	-	-
<b>Profit / (loss) before tax</b>		<b>(4.87)</b>	<b>-</b>	<b>(4.87)</b>
Tax expense / (benefit) :				
Current tax		-	-	-
Deferred tax	2	-	(0.65)	(0.65)
Tax expense relating to earlier years		-	-	-
Income tax expense		-	(0.65)	(0.65)
<b>Profit / (loss) after tax</b>		<b>(4.87)</b>	<b>0.65</b>	<b>(4.22)</b>
<b>Other comprehensive income</b>				
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>				
Re-measurement gains/ (losses) on defined benefit plans		-	-	-
Income tax effect on above		-	-	-
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(4.87)</b>	<b>0.65</b>	<b>(4.22)</b>

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

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

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

**40 First-time adoption of Ind AS**

**III Reconciliation of equity as per previous GAAP and IND AS**

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

Particulars	foot notes	As at 31 March 2019
<b>Net Worth under Indian GAAP</b>		<b>95.13</b>
<b>Summary of Ind AS adjustments</b>		
Additional contribution by parent for above	3	0.23
Deferred tax impact	2	0.65
<b>Net Worth under Ind AS</b>		<b>96.01</b>

**Nykaa-KK Beauty Private Limited****Notes to Financial Statements as at and for the year ended 31 March 2020****Amounts in Indian Rupees**

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

**1. Leases:**

Ind AS 116 supersedes Ind AS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Company adopted Ind AS 116 using the modified retrospective method of adoption with the date of initial application which resulted into recognition of right-of-use assets, lease liabilities and consequent changes in the statement of profit and loss and cash flows.

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

**2. Deferred Tax:**

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

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

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity. The deferred tax asset is increased by INR 0.65 lakhs on 31 March 2019.

**3. Loan from Holding Company**

The Company has obtained loans from FSN E-Commerce Ventures Private Limited (the holding company) which were measured at cost under India GAAP. However, on transition to IND AS, these loans being financial liabilities have been initially measured at amortized cost and subsequently amortized using effective interest method. Accordingly, the resultant impact of INR 0.23 lakhs has been added to the other equity as equity contribution from parent as at 31 March 2019.

**4. Other comprehensive income**

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

**5. Cash flow statements**

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

**Nykaa-KK Beauty Private Limited**

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

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

**41 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006**

The identification of Micro, Small and Medium Enterprises is based on the Management's knowledge of their status. Disclosure of trade payables under the current liabilities is based on the information available with the Company regarding the status of the suppliers as defined under 'The Micro, Small and Medium Enterprises Development Act, 2006'.

**42 Impact of Covid 19**

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

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

**43 Event after reporting dates**

The company had ordered for material from foreign supplier amounting to Euro 71,250 (INR Rs 59 Lakhs approx). However due to Covid impact the supply of material could not be effected. Subsequently post closure of the financial year the payment was made to the supplier which was fraudulently transferred to an account not belonging to the supplier. The Company is taking necessary legal steps in the matter including lodging of Insurance claim.

As per our report attached

**For V. C. Shah & Co.**

**Chartered Accountants**

**Firm Registration No: 109818W**

*A N Shah*

**A N Shah**

**Partner**

**Membership No: 42649**



**Place: Mumbai**

**Date: 19 August 2020**

**For and on behalf of Board of Directors of  
Nykaa-KK Beauty Private Limited**

*Reena Chhabra*  
**Reena Chhabra**  
**Director**

**DIN No. 03522080**

*Neha Kanoria*  
**Neha Kanoria**  
**Director**

**DIN No. 08179470**



