

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, 2023, 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 Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, 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 on the financial statements.

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

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

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

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

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



Responsibilities of Management for the Financial Statements

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If



we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, 2020 ("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 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
- (e) On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B", to this report. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- (g) The Company is a Private Limited Company as per the Act. The requirement of payment of managerial remuneration as per section 197 read with Schedule V of the Act is not applicable.



(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations provided to us:

- i. The Company does not have any pending litigations which would impact its financial position in its financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. a. The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise that the Intermediary shall:
 - directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or
 - provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries
- b. The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall:
 - directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or
 - provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and



- c. Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
- v. The Company has neither declared nor paid any dividend during the year. So, compliance with respect to section 123 of the Act is not applicable.

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

A. N. Shah

A. N. Shah
Partner
Membership No.: 042649
UDIN:23042649BGWPLU7246
Place: Mumbai
Date: May 22, 2023



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)

(A) The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment. The Company is in the process of updation of quantitative details and description details of additions during the year.

(B) The Company has maintained proper records showing full particulars of intangible assets.

(b) The Company has a regular program of physical verification of its Property, Plant and Equipment by which all the 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 program, certain Property, Plant and Equipment 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 does not own any immovable properties. Hence, reporting under clause (i)(c) of paragraph 3 of the Order is not applicable.

(d) The Company has not revalued any of its Property, Plant and Equipment and intangible assets during the year. Hence, reporting under clause (i)(d) of paragraph 3 of the Order is not applicable.

(e) As represented by the Management, no proceedings have been initiated during the year or are pending against the Company as at March 31, 2023 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (as amended in 2016) and rules made thereunder. Hence, reporting under clause (i)(e) of paragraph 3 of the Order is not applicable.

(ii) (a) According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. Discrepancies were less than 10% in aggregate for each class of inventory and have been properly dealt with in the books of accounts.

(b) As disclosed in note 20 to the financial statements, the Company has been sanctioned working capital limits in excess of Rs. five crores, in aggregate during the year, from banks or financial institutions on the basis of security of current assets of the Company. Based on the records examined by us in the normal course of audit of the financial statements, the quarterly returns/statements filed by the Company with such banks are in agreement with the books of accounts of the Company.

(iii) According to the information and explanations provided to us, the Company has made investment in a Company, but has not provided any guarantee or security or 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, reporting clause (iii) (a), (c), (d), (e), and (f) of paragraph 3 of the Order is not applicable.



- (b) According to the information given to us and based on the audit procedures performed by us the investments made are not prejudicial to the company's interest. Hence, reporting under clause (iii) (b) 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 given any loan to directors . Hence, the requirements under Section 185 of the Act are not applicable. The company has made investments in a Company and it has complied with the requirements of section 186.
- (v) According to the information given to us and based on the audit procedures performed by us, the Company has not accepted any deposit or amounts which are deemed to be deposits, as per the directives issued by Reserve Bank of India and the provisions of the section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules made thereunder. Hence, reporting under 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 (l) 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, 2023 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) According to the information and explanations provided to us, there were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961. Hence, clause (viii) of paragraph 3 of the Order is not applicable.
- (ix) (a) The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender. Hence, reporting under clause (ix)(a) of paragraph 3 of the Order is not applicable.
- (b) The Company has not been declared willful defaulter by any bank or financial institution or any other lender.
- (c) According to the information given to us and based on the audit procedures performed by us, there is a term loan outstanding at the year end and the same was applied for the purpose for which the loan was obtained.



- (d) According to the information given to us and based on the audit procedures performed by us no funds raised on short term basis have been used for long term purposes by the company.
- (e) The company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries. Hence, reporting under clause (ix) (e) of paragraph 3 of the Order is not applicable.
- (f) The Company has not raised loans during the year on the pledge of securities held in its subsidiary companies. Hence, reporting under clause (ix) (f) of paragraph 3 of the Order is not applicable.
- (x) (a) The Company has not raised any money by way of initial public offer / further public offer /debt instruments. Hence, reporting under clause (x)(a) of paragraph 3 of the Order is not applicable.
- (b) During the year, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence reporting under clause (x)(b) of paragraph 3 of the Order is not applicable.
- (xi) (a) 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. Hence, reporting under clause (xi)(a) of paragraph 3 of the Order is not applicable.
- (b) No report under sub-section (12) of section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and up to the date of this report.
- (c) Establishment of vigil mechanism is not mandated for the Company as required under section 177 of the Act. As represented to us by the management, there are no whistle blower complaints received by the Company during the year under the vigil mechanism established by the parent company for the Group.
- (xii) The Company is not a Nidhi Company. Hence, reporting under clause (xii)(a), (b) and (c) of paragraph 3 of the Order is not applicable.



- (xiii) Transactions with the related parties are in compliance with section 188 of the Act, where applicable, and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of section 177 are not applicable to the Company and accordingly the requirements to report under clause (xiii) of paragraph 3 of the Order in so far as it relates to section 177 of the Act is not applicable to the Company.
- (xiv)(a) In our opinion and according to the information and explanations provided to us, the company has internal audit system commensurate with the size of the company.
- (b) The internal audit report issued during the year is considered by us.
- (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) (a) 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) (a) to (c) of paragraph 3 of the Order is not applicable.
- (b) In our opinion, there is no core investment company within the Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) and hence reporting under clause (xvi)(d) of paragraph 3 of the Order is not applicable.
- (xvii) The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xviii) There has been no resignation of the statutory auditors of the Company during the year. Hence, reporting under clause (xviii) of paragraph 3 of the order is not applicable.
- (xix) On the basis of the financial ratios disclosed in note 46, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.



- (xx) (a) In case of other than ongoing projects. There are no unspent amount that are required to be transferred to a fund specified in schedule VII of the Act, in compliance with second proviso to sub section 5 of section 135 of the Act.
- (b) According to the information and explanation given to us and on the basis of our examination of the records the Company has resolved not to spend on any ongoing project. Hence, reporting under clause (xx) of paragraph 3 of the Order is not applicable.

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

A. N. Shah

A. N. Shah
Partner
Membership No.: 042649
UDIN: 23042649BGWPLU7246
Place: Mumbai
Date: May 22, 2023



ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT

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

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of sub-section of Section 14 of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of **Nykaa-KK Beauty Private Limited** ('the Company') as of March 31, 2023 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting



Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financials Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

A. N. Shah



A. N. Shah
Partner
Membership No.: 042649
UDIN: 23042649BGWPLU7246
Place: Mumbai
Date: May 22, 2023

Nykaa-KK Beauty Private Limited
 (All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Balance Sheet as at March 31, 2023

Particulars	Notes	As at March 31, 2023	As at March 31, 2022
Assets			
Non-current assets			
Property, plant and equipment	4	34.43	11.40
Right of use assets	5	11.86	4.70
Intangible assets	6	-	0.12
Investments	7	0.00	-
Deferred tax assets (net)	8	1.91	1.42
Non current tax assets (net)	8	7.96	-
Other non current assets	9	1.54	0.49
Total non-current assets (A)		57.70	18.13
Current assets			
Inventories	10	182.53	210.19
Financial assets			
Trade receivables	11	123.24	6.50
Cash and cash equivalents	12	4.50	3.37
Other financial assets	13	0.03	-
Other current assets	14	74.35	64.54
Total current assets (B)		384.65	284.60
Total Assets (A+B)		442.35	302.73

[This space has been intentionally left blank]



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Balance Sheet as at March 31, 2023

Particulars	Notes	As at March 31, 2023	As at March 31, 2022
Equity and liabilities			
Equity			
Equity share capital	15	10.00	10.00
Other equity	16	126.54	58.11
Total equity (A)		136.54	68.11
Liabilities			
Non-current liabilities:			
Financial liabilities			
Borrowings	17	3.61	80.36
Lease liabilities	18	7.62	3.02
Long term Provisions	19	0.06	0.05
Total non-current liabilities (B)		11.29	83.43
Current liabilities:			
Financial liabilities			
Borrowings	20	156.09	79.76
Lease liabilities	21	5.50	2.72
Trade payables	22		
-Total outstanding dues of micro enterprise and small enterprises		0.24	3.10
-Total outstanding dues of creditors other than Micro enterprises and small enterprises		39.58	41.19
Other financial liabilities	23	84.02	11.76
Short term Provisions	24	0.05	0.08
Contract liabilities	25	0.99	10.19
Current Tax Liabilities (Net)	8	-	1.66
Other current liabilities	26	8.05	0.73
Total current liabilities (C)		294.52	151.19
Total liabilities (B+C)		305.81	234.62
Total equity and liabilities (A+B+C)		442.35	302.73
The accompanying notes are an integral part of the Financial Statements			

As per our report of even date

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

A. N. Shah

A. N. Shah
Partner
Membership No: 042649

Place: Mumbai
Date: May 22, 2023



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

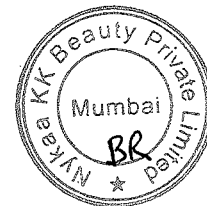
Vishal Gupta

Vishal Gupta
Director
DIN 10048743

Place: Mumbai
Date: May 22, 2023

Jagdish Dargar

Jagdish Dargar
Director
DIN 00278065



Nykaa-KK Beauty Private Limited

(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Statement of Profit and Loss for the year ended March 31, 2023

Particulars	Notes	For the year ended March 31, 2023	For the year ended March 31, 2022
Income			
Revenue from operations	27	605.61	275.60
Other income	28	1.73	1.53
Total Income		607.34	277.13
Expenses			
Cost of material consumed	29	132.96	95.17
Purchase of traded goods	30	28.14	62.91
Changes in inventories of finished goods and traded goods	31	25.77	(95.11)
Employee benefits expense	32	28.90	13.72
Finance costs	33	17.35	13.24
Depreciation and amortisation expense	34	8.63	5.66
Other expenses	35	274.65	128.27
Total Expenses		516.40	223.86
Profit before tax		90.94	53.27
Tax expense:			
Current tax	8	23.03	14.90
Deferred tax	8	(0.51)	(0.99)
Total tax expense		22.52	13.91
Profit after tax		68.42	39.36
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Remeasurement gain on defined benefit liability		0.02	0.06
Income tax relating to items that will not be reclassified to profit or loss		(0.01)	(0.01)
Other comprehensive income for the year, net of tax		0.01	0.05
Total Comprehensive Income for the year		68.43	39.41
Earnings per share of face value Rs. 10/- each			
Basic	36	68.42	39.36
Diluted	36	68.42	39.36

The accompanying notes are an integral part of the Financial Statements

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



A. N. Shah
Partner
Membership No: 042649



Place: Mumbai
Date: May 22, 2023

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



Vishal Gupta
Director
DIN 10048743



Jagdish Dargar
Director
DIN 00278065

Place: Mumbai
Date: May 22, 2023



Nykaa-KK Beauty Private Limited

(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Statement of Changes in Equity for the year ended March 31, 2023

A. Equity share capital:

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

	No. of shares	Amount
As at April 01, 2021	10,00,000	10.00
Issue during the year	-	-
As at March 31, 2022	10,00,000	10.00
Issue during the year	-	-
As at March 31, 2023	10,00,000	10.00

[This space has been intentionally left blank]



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

B. Other Equity:

Particulars	Reserves & Surplus		Other comprehensive income (OCI)	Total other equity
	Capital Contribution from parent	Surplus/(Deficit) in statement of profit and loss		
As at April 01, 2021	10.33	7.02	0.01	17.36
Net Profit for the year	-	39.36	-	39.36
Other comprehensive income	-	-	0.05	0.05
Total comprehensive income	-	39.36	0.05	39.41
Addition during the year	1.34	-	-	1.34
As at March 31, 2022	11.67	46.38	0.06	58.11
Net Profit for the year	-	68.42	-	68.42
Other comprehensive income	-	-	0.01	0.01
Total comprehensive income	-	68.42	0.01	68.43
As at March 31, 2023	11.67	114.80	0.07	126.54

The accompanying notes are an integral part of the Financial Statements

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

V. C. Shah

A. N. Shah
Partner
Membership No: 042649

Place: Mumbai
Date: May 22, 2023



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

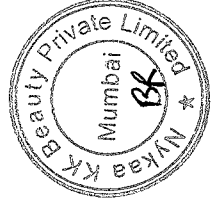
Vishal Gupta

Vishal Gupta
Director
DIN 10048743

Jagdish Dargar

Jagdish Dargar
Director
DIN 00278065

Place: Mumbai
Date: May 22, 2023



Nykaa-KK Beauty Private Limited

(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Statement of Cash flows for the year ended March 31, 2023

Particulars	For the Year ended March 31, 2023	For the Year ended March 31, 2022
Cash flows from Operating activities		
Net profit before tax as per Statement of profit & loss	90.94	53.27
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant & equipment and right-of-use assets	8.51	5.28
Amortisation of intangible assets	0.12	0.38
Interest expense and other finance costs	17.26	13.24
Share based expense	-	(0.36)
Provision for gratuity expense	0.02	0.04
Provision for leave compensated expense	(0.02)	(0.02)
Unrealised (Gain)/Loss on Foreign Exchange fluctuations (net)	(0.29)	0.38
Operating profit before working capital changes	116.54	72.21
Working capital Adjustments:		
(Increase)/Decrease in trade receivables	(116.74)	48.62
Decrease/(Increase) in inventories	27.66	(96.37)
(Increase) in other current assets	(9.81)	(35.34)
(Decrease) in trade payables	(4.28)	(10.76)
(Decrease) in provisions	(0.00)*	-
Increase/(Decrease) in financial liabilities and contract liabilities	61.86	(8.69)
Increase/(Decrease) in other current liabilities	7.32	(2.46)
Net Cash flow from/ (used in) operations	82.55	(32.79)
Payment of taxes (net)	(32.64)	(10.82)
Net cash flow from/(used in) operating activities (A)	49.91	(43.61)
Cash flows from Investing activities		
Purchase of Property, Plant and Equipment and other intangible assets	(28.58)	(6.44)
Investment in Nykaa Foundation*	(0.00)	-
Net cash flows (used in) investing activities (B)	(28.58)	(6.44)
Cash flows from Financing activities		
Proceeds/(Repayment) of Non-Current borrowings (net)	(76.75)	63.76
Proceeds/(Repayment) of Current borrowings (net)	76.33	2.83
Payment of interest on borrowings	(13.73)	(10.31)
Principal payment of lease liabilities	(4.69)	(3.77)
Interest expenses on lease liabilities	(1.36)	(0.90)
Net cash flows (used in)/from financing activities (C)	(20.20)	51.61
Net increase in cash and cash equivalents (A+B+C)	1.13	1.56
Cash and cash equivalents at the beginning of the year	3.37	1.81
Cash and cash equivalents at the year end (Refer note 12)	4.50	3.37

*Numbers are below million under the rounding off convention adopted by the Company and accordingly not reported.

Note:

1. Non cash transactions relating to investing and financing activities (refer note 13, 23 and 37).
2. The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS) 7 Stater

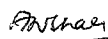
The accompanying notes are an integral part of the Financial Statements

As per our report of even date

For V. C. Shah & Co.

Chartered Accountants

ICAI Firm Registration No: 109818W



A. N. Shah

Partner

Membership No: 042649

Place: Mumbai

Date: May 22, 2023



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



Vishal Gupta

Director

DIN 10048743

Place: Mumbai

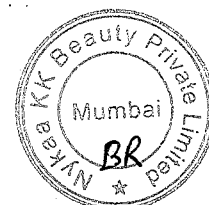
Date: May 22, 2023



Jagdish Dargar

Director

DIN 00278065



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

1. Corporate Information

Nykaa-KK Beauty Private Limited (the 'Company') is a private Company incorporated on July 18, 2018 and domiciled in India. The Company is subsidiary of FSN E-Commerce Ventures 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 manufacturing, selling & distribution of Kay beauty products on the online platforms or websites such as e-commerce, m-commerce, internet as well as through physical stores, stalls, general trade and modern trade etc.

The separate financial statements for the year ended March 31, 2023 were approved by the Board of Directors and authorised for issue on May 22, 2023.

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

2. Basis of preparation

i) Statement of compliance:

The financial statements comply in all material aspects with the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015, as amended] and other relevant provisions of the Act.

ii) Historical cost convention:

The financial statements have been prepared on a historical cost convention on accrual basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) and contingent consideration is measured at fair value
- assets held for sale – measured at fair value less cost to sell
- defined benefit plans – plan assets measured at fair value
- share-based payments.

iii) New and amended standards adopted by the Company

The Ministry of Corporate Affairs had vide notification dated 23 March 2022 notified Companies (Indian Accounting Standards) Amendment Rules, 2022 which amended certain accounting standards, and are effective 1 April 2022. These amendments did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

iv) New and amended standards issued but not effective

The Ministry of Corporate Affairs has vide notification dated 31 March 2023 notified Companies (Indian Accounting Standards) Amendment Rules, 2023 (the 'Rules') which amends certain accounting standards, and are effective 1 April 2023.

The Rules predominantly amend Ind AS 12 - Income taxes, Ind AS 8 - Accounting policies, changes in accounting estimates and errors and Ind AS 1 - Presentation of financial statements.

The amendment in Ind AS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explains how to identify when accounting policy information is material. It is further clarified that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.



Nykaa-KK Beauty Private Limited

(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

The amendment in Ind AS 8 clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The amendment in Ind AS 12 requires entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

The other amendments to Ind AS notified by these rules are primarily in the nature of clarifications.

These amendments are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

3A. Summary of significant accounting policies:

a) Current versus non-current classification

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

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

All other assets are classified as non-current.

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.



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

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 and is stated at cost, net of accumulated impairment loss, if any. Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date are classified as capital advances under other non-current assets.

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

Depreciation on Property, Plant & Equipment

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

Estimated useful lives of the assets are as follows:

Property, Plant & Equipment	Useful lives (in years)
Plant and Machinery	8
Computers	3
Furniture & Fixtures	10
Office Equipment	5
Leasehold improvements	Period of primary lease

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

c) Intangible assets

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

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

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

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

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon



Notes to Financial Statements

derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Amortization of intangible assets:

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

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

Research and development costs

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

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

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

d) Impairment of non-financial assets

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

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

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

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

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



Notes to Financial Statements

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 first in, first out basis.

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

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

f) Leases

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

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 warehouse/office 3 to 5 years

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

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



Notes to Financial Statements

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.

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 classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

II. Subsequent measurement:

i. Financial assets

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income (FVTOCI) with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

A 'financial asset' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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



Notes to Financial Statements

Financial assets at fair value through other comprehensive income (FVTOCI) (debt instruments)

A 'financial asset' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. For debt instruments, at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value changes recognised in OCI is reclassified from the equity to profit or loss.

Financial Assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under Ind AS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Company elected to classify irrevocably its non-listed equity investments under this category.

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

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

ii. Financial liabilities

Financial liabilities at fair value through Profit or Loss

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

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



Notes to Financial Statements

Financial liabilities at amortised cost (loans and borrowings)

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

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

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

III. Derecognition

Financial Assets

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

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

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

Financial Liabilities

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

IV. Impairment of financial assets:

In accordance with Ind AS 109, the Company applies simplified expected credit loss (ECL) model for measurement and recognition of impairment loss for 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 and do not contain significant financing components.

The Company applies general approach for recognition of expected credit losses on all other financial assets. 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



Notes to Financial Statements

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 towards satisfaction of a performance obligation is measured at the amount of transaction price (net of variable consideration) allocated to that performance obligation. The transaction price of goods sold, and services rendered is net of variable consideration on account of discounts offered by the Company as part of the contract. This variable consideration is estimated based on the expected value of outflow. Revenue (net of variable consideration) is recognised only to the extent that it is highly probable that the amount will not be subject to significant reversal when uncertainty relating to its recognition is resolved.

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

i. Sale of products:

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

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

ii. Contract balances:

- Contract assets

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

- 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.



Notes to Financial Statements

II. Interest income:

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

i) Provisions

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

The financial statements are presented in Indian Rupees (₹), 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 period/year, or reported in previous financial statements, are recognised as income or as expenses in the statement of profit and loss in the period/year in which they arise.

k) Share based payment

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

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

That cost is recognised, together with a corresponding increase in contribution by parent in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for



Notes to Financial Statements

a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

l) Post-employment and other employee benefits

Short term employee benefits:

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

Post-employment benefits:

i. Defined Contribution Plans:

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

ii. Defined Benefit Plans

Gratuity

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

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

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

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

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

Compensated absences

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



Notes to Financial Statements

m) Borrowing cost

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

n) Fair value measurement

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

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

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

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

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

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

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

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

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

o) Income taxes

Tax expense comprises current and deferred tax.

Current income tax

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

Deferred tax

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

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



Notes to Financial Statements

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

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

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

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

p) Cash and cash equivalents

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

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

q) Contingent Liabilities

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

r) Earnings per share

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

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

s) Segment reporting

The Company drives synergy across fulfilment models, sales channels and product categories and accordingly the management reviews and allocates resources based on Omni business and Omni channel strategy, which in the terms of Ind AS 108 on 'Operating Segments' constitutes a single reporting segment.



Notes to Financial Statements

t) Share capital

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

3B. 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., 3 to 5 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.

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 period/year end. The lives are based on historical experience with similar assets.



Notes to Financial Statements

b. Fair Value measurement of financial instruments

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

c. Estimation of defined benefit obligation and compensated absences

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

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

d. Income taxes

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

e. Deferred Taxes

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

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 simplified approach to determine impairment loss allowance on the portfolio of trade receivables. This is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, the historical observed



Notes to Financial Statements

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

i. Leases – Estimating the incremental borrowing rates:

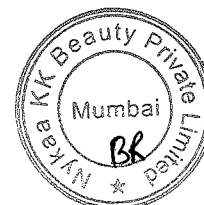
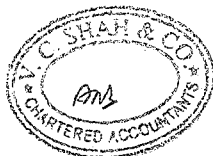
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds 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).

j. Other estimates:

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

[This space has been intentionally left blank]



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

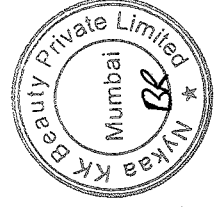
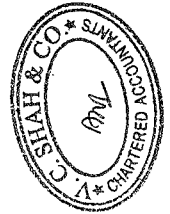
Note 4

Property, plant and equipment

Particulars	Computer Equipment	Furniture & Fixtures	Office Equipment	Plant and equipment	Leasehold improvements	Total
Cost						
As at April 01, 2021	0.04	6.45	-	0.11	-	6.60
Additions	-	6.85	-	-	-	6.85
Disposals/transfers	-	-	-	-	-	-
As at March 31, 2022	0.04	13.30	-	0.11	-	13.45
Additions	-	25.43	1.16	-	0.04	26.63
Disposals/transfers	-	-	-	-	-	-
As at Mar 31, 2023	0.04	38.73	1.16	0.11	0.04	40.08
Accumulated depreciation						
As at April 01, 2021	0.01	0.49	-	0.02	-	0.52
Depreciation charge for the year	0.01	1.51	-	0.01	-	1.53
Disposals/adjustments	-	-	-	-	-	-
As at March 31, 2022	0.02	2.00	-	0.03	-	2.05
Depreciation charge for the year	0.02	3.34	0.21	0.02	0.01	3.60
Disposals/adjustments	-	-	-	-	-	-
As at Mar 31, 2023	0.04	5.34	0.21	0.05	0.01	5.65
Net Book Value						
As at March 31, 2022	0.02	11.30	-	0.08	-	11.40
As at Mar 31, 2023	-	33.39	0.95	0.06	0.03	34.43

Footnotes:

1. Movable assets have been pledged to secure borrowings of the Company (Refer Note - 20)



Notes to Financial Statements

Note 5

Right of Use Assets

Particulars	Right of Use Assets	Total
Cost		
As at April 01, 2021	14.07	14.07
Additions	-	-
Disposals/transfers	-	-
As at March 31, 2022	14.07	14.07
Additions	12.07	12.07
Disposals/transfers	(1.34)	(1.34)
As at March 31, 2023	24.80	24.80
Accumulated depreciation		
As at April 01, 2021	5.62	5.62
Depreciation charge for the year	3.75	3.75
Disposals/adjustments	-	-
As at March 31, 2022	9.37	9.37
Depreciation charge for the year	4.91	4.91
Disposals/adjustments	(1.34)	(1.34)
As at March 31, 2023	12.94	12.94
Net Book Value		
As at March 31, 2023	11.86	11.86
As at March 31, 2022	4.70	4.70

Note 6: Intangible assets

Particulars	Business application development cost	Total
Cost		
As at April 01, 2021	1.13	1.13
Additions	-	-
Disposals/transfers	-	-
As at March 31, 2022	1.13	1.13
Additions	-	-
Disposals/transfers	-	-
As at March 31, 2023	1.13	1.13
Accumulated amortisation		
As at April 01, 2021	0.63	0.63
Amortisation charge for the year	0.38	0.38
Disposals/adjustments	-	-
As at March 31, 2022	1.01	1.01
Amortisation charge for the year	0.12	0.12
Disposals/adjustments	-	-
As at March 31, 2023	1.13	1.13
Net Book Value		
As at March 31, 2023	-	-
As at March 31, 2022	0.12	0.12



Nykaa-KK Beauty Private Limited

(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 7

Non-current investments (Unquoted)

Particulars	As at March 31, 2023	As at March 31, 2022
Investments in fellow subsidiary (Unquoted, fully paid up)		
(A) Investments in Equity Instruments of fellow Subsidiary (at cost)		
Nykaa Foundation	0.00*	-
1 fully paid equity shares of ₹ 10 each		
Total investments measured at cost	0.00*	-

*Numbers are below million under the rounding off convention adopted by the Company and accordingly not reported.

Note 8

Income tax

The major components of income tax expense / (credit) are:

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2022
Current tax:		
In respect of current year	23.03	14.90
In respect of prior year	-	-
	23.03	14.90
Deferred tax:		
In respect of current year	(0.51)	(0.99)
In respect of unrecognised business loss of earlier years	-	-
	(0.51)	(0.99)
Income tax expense reported in the statement of profit and loss	22.52	13.91
OCI section - Deferred tax related to items recognised in OCI during the year:		
Tax expense on remeasurement gain of defined benefit plans	0.01	0.01
Income tax debited to OCI	0.01	0.01

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2023 and March 31, 2022:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Profit before tax	90.94	53.27
Applicable tax rate	25.17%	25.17%
Tax using the Company's domestic tax rate	22.89	13.41
Tax effect of:		
Notional interest on borrowings	-	(0.04)
Commission on financial guarantee	-	0.46
Others	(0.37)	0.08
Total tax expense	22.52	13.91
Current tax expense	23.03	14.90
Deferred tax expense	(0.51)	(0.99)
Tax expense recognized in the statement of profit and loss	22.52	13.91
Effective tax rate	24.76%	26.11%



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Gross movement in the current income tax assets/(liabilities)

Particulars	As at March 31, 2023	As at March 31, 2022
Net income tax asset at the beginning	(1.66)	2.42
Income tax paid (net)	32.64	10.82
Current income tax expense	(23.03)	(14.90)
Net income tax asset/(liability) at the end	7.96	(1.66)
Income tax assets/(liability) as per balance sheet	7.96	(1.66)

Deferred tax:

Particulars	As at March 31, 2023	As at March 31, 2022
Expenses allowable on payment basis	0.03	0.36
Provision for expected credit loss	0.03	0.03
Lease related assets and liabilities (net)	0.32	0.26
Depreciation and amortisation (excluding RoU)	0.37	0.25
Others	1.17	0.52
Deferred tax assets (A)	1.92	1.42
Deferred tax liabilities (B)	-	-
Deferred tax assets (net) (C=A-B)	1.92	1.42

Particulars	As at March 31, 2023	As at March 31, 2022
Opening balance	1.42	0.44
Tax income recognised in statement of profit and loss for the year	0.50	0.99
Tax (expense) recognised in OCI for the year	(0.01)	(0.01)
Closing balance	1.91	1.42

Note 9

Other non current assets

Particulars	As at March 31, 2023	As at March 31, 2022
Advance for capital goods	1.54	0.49

Note 10

Inventories (valued at lower of cost or net realisable value)

Particulars	As at March 31, 2023	As at March 31, 2022
Traded Goods	40.20	17.54
Finished goods	84.71	133.14
Raw Materials	28.14	14.41
Packing material	29.48	45.10
Total	182.53	210.19

As at March 31, 2023 ₹ 4.7 Mn (March 31, 2022: ₹ 2.03 Mn) is recognised as provision taking into account various factors, including obsolescence of material, unserviceable items and ageing of material.



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 10

Trade receivables

Particulars	As at March 31, 2023	As at March 31, 2022
Trade receivables - Unsecured, considered good	123.24	6.50
Trade receivables- Credit impaired	0.11	0.11
Less: Allowances for expected credit loss (Refer note 42)	(0.11)	(0.11)
Total	123.24	6.50

For details of trade receivables with related party refer note 39.

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

Trade receivables are non-interest bearing and are generally on terms of 0 to 60 days

Trade receivables ageing schedule

March 31, 2023

Particulars	Current but not due	Outstanding for following periods from due date of payment					Total
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables – considered good	19.58	103.66	-	-	-	-	123.24
Undisputed Trade Receivables – Credit Impaired	0.04	0.07	-	-	-	-	0.11
Total	19.62	103.73	-	-	-	-	123.35

March 31, 2022

Particulars	Current but not due	Outstanding for following periods from due date of payment					Total
		Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables – considered good	5.02	1.41	0.02	0.05	-	-	6.50
Undisputed Trade Receivables – Credit Impaired	-	-	-	0.11	-	-	0.11
Total	5.02	1.41	0.02	0.16	-	-	6.61

Note 12

Cash and cash equivalents

Particulars	As at March 31, 2023	As at March 31, 2022
Balances with banks in current accounts	4.50	3.36
Cash on hand	-	0.01
Total	4.50	3.37

Note 13

Other financial assets (current)

Particulars	As at March 31, 2023	As at March 31, 2022
Mark-to-Market asset	0.03	-
Total	0.03	-



Nykaa-KK Beauty Private Limited

(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 14

Other current assets

Particulars	As at	As at
	March 31, 2023	March 31, 2022
Advance to suppliers (Unsecured, considered good)	48.53	19.86
Advance against expenses (Unsecured, considered good)	1.20	2.50
Statutory Advances	17.71	36.68
Prepaid expenses	6.91	5.50
Total	74.35	64.54

Note 15

Equity Share Capital

Particulars	Equity Shares	
	Numbers	Amount
i) Authorised Share Capital		
As at April 01, 2021	10,00,000	10.00
Increase / (decrease) during the year	-	-
As at March 31, 2022	10,00,000	10.00
Increase / (decrease) during the year	-	-
As at March 31, 2023	10,00,000	10.00

i) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Each equity shareholder is entitled to dividends as and when the Company declares and pays dividend after obtaining shareholders' approval.

ii) Issued share capital

Equity shares of Rs. 10 each issued, subscribed and fully paid

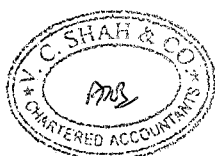
Particulars	Equity shares	
	Numbers	Amount
As at April 1, 2021	10,00,000	10.00
Changes during the year	-	-
As at March 31, 2022	10,00,000	10.00
Changes during the year	-	-
As at March 31, 2023	10,00,000	10.00

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

iv) Shares held by holding company:

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

Particulars	As at	As at
	March 31, 2023	March 31, 2022
FSN E-Commerce Ventures Limited (Holding Company)	5.10	5.10
5,10,000 (March 31, 2022: 5,10,000) equity shares of Rs 10/- each		



Nykaa-KK Beauty Private Limited

(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements**v) Details of shareholders holding more than 5% shares in the company**

Name of the shareholder	As at March 31, 2023		As at March 31, 2022	
	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.

Note 16**Other equity****(A) Other equity**

Particulars	As at March 31, 2023	As at March 31, 2022
(i) Surplus in statement of Profit and Loss		
Opening balance	46.38	7.02
Add: Profit during the year	68.42	39.36
Closing balance (A)	114.80	46.38
(ii) Other comprehensive income		
Opening balance	0.06	0.01
Add: Other comprehensive income for the year	0.01	0.05
Closing balance (B)	0.07	0.06
(iii) Capital Contribution from Parent (Equity component)		
Opening balance	11.67	10.33
Add : Additions during the year	-	1.34
Closing balance (C)	11.67	11.67
Total (A+B+C)	126.54	58.11

Nature and purpose of reserves

- (i) **Retained earnings:** Retained Earnings are the profits / (losses) that the Company has earned/ incurred till date, less any dividends or other distributions paid to shareholders.
- (ii) **Other Comprehensive Income:** This represents the cumulative gains and losses arising on remeasurement of defined employee benefit plan.
- (iii) **Contribution from parent company consists of:**

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

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

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



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 17

Borrowings (Non Current)

Particulars	As at March 31, 2023	As at March 31, 2022
Unsecured loans (Carried at amortised cost)		
Loan from Holding Company	-	71.14
Term Loan from Bank	3.61	9.22
Total	3.61	80.36

Note:

- (i) Maximum amount of loan outstanding during the year was ₹ 9.22 Mn (March 31, 2022 - ₹ 16.60 Mn).

Term 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 43 for maturity profile.

Terms of term loan from bank:

Working capital term loan from bank is secured against second charge on all current assets, moveable property, plant and equipment both present and future. Tenure is 48 months (including 12 months moratorium period) and rate of interest 7%.

Note 18

Lease liabilities (Non Current)

Particulars	As at March 31, 2023	As at March 31, 2022
Payable for lease liabilities (Refer note 37)	7.62	3.02
Total	7.62	3.02

Note 19

Long term provision

Particulars	As at March 31, 2023	As at March 31, 2022
Provision for gratuity (Refer note 38)	0.06	0.05
Total	0.06	0.05

Note 20

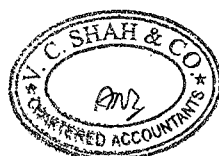
Borrowings (Current)

Particulars	As at March 31, 2023	As at March 31, 2022
Secured		
Working capital loan from Banks	148.67	74.47
Unsecured		
Current Maturity of Long term debt	5.61	5.29
Loan from Holding Company	1.81	-
Total	156.09	79.76

Refer note 43 for maturity profile of above loans

Notes:

- (i) Working Capital/Cash Credit Facilities from Bank is secured by hypothecation of book debts, current assets and movable Property, plant and equipment both present and future.



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

- (ii) Loan is payable on demand. Interest payable on working capital loan is MCLR adjusted with the risk spread mutually agreed between the parties.
- (iii) Maximum amount of loan outstanding during the year was ₹ 192.41 Mn (March 31, 2022 ₹ 84.87 Mn).
- (iv) Bank loan contain certain financial covenants & the Company has satisfied all covenants as per the terms of bank loan.
- (v) As at March 31, 2023, the Company had available ₹ 51.33 Mn (March 31, 2022: ₹ 10.5 Mn) of undrawn committed borrowing facilities.
- (vi) Quarterly statements of current assets filed by the Company with banks are in agreement with the audited/unaudited books of accounts.

Reconciliation of statements submitted to banks for FY 2021-22

Quarter	Name of Bank ⁽¹⁾	Particulars	Amount as per books of account	Amount as reported in quarterly return / statement	Amount of difference	Reason for material discrepancies
Jun-21	Kotak Bank	Trade receivables, Advance to suppliers and other receivables	43.94	44.13	(0.19)	The difference is primarily on account of reclassification entries recorded after the submission of the statement to the banks as per due date and before the finalisation of results.
		Inventory	111.90	133.87	(21.97)	The difference is primarily on account of GST input credit included in the quarterly submission to the bank.
Sep-21 ⁽²⁾	Kotak Bank	Trade receivables, Advance to suppliers and other receivables	50.13	36.41	13.72	The difference is primarily on account of reclassification entries recorded after the submission of the statement to the banks as per due date and before the finalisation of results.
		Inventory	130.56	149.79	(19.23)	The difference is primarily on account of GST input credit included in the quarterly submission to the bank.
Dec-21 ⁽²⁾	Kotak Bank	Inventory	155.58	172.60	(17.02)	The difference is primarily on account of GST input credit included in the quarterly submission to the bank.

⁽¹⁾ Kotak Bank referred in the above table is for Kotak Mahindra Bank Limited.

⁽²⁾ For quarter ended September 30, 2021 and December 31, 2021, the Company has submitted revised statements with the banks post balance sheet date, which has been acknowledged by the bank.

Note 21

Lease liabilities (Current)

Particulars	As at	As at
	March 31, 2023	March 31, 2022
Payable for lease liabilities (Refer note 37)	5.50	2.72
Total	5.50	2.72



Nykaa-KK Beauty Private Limited

(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 22

Trade payables

Particulars	As at	As at
	March 31, 2023	March 31, 2022
Total outstanding dues of micro enterprises and small enterprises	0.24	3.10
Total outstanding dues of trade payables other than micro enterprises and small enterprises	39.58	41.19
Total	39.82	44.29

Refer Note 39 for trade payables to related parties.

MSMED Disclosures:

Particulars	As at	As at
	March 31, 2023	March 31, 2022
a) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	0.24	3.10
b) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006.	0.09	0.04
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 even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	-	-

Trade payables ageing schedule

March 31, 2023

Particulars	Current but not due	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Total outstanding dues of micro enterprises and small enterprises	15.34	24.24	-	-	-	39.58
Total outstanding dues of creditors other than micro enterprises and small enterprises	0.12	0.09	0.03	-	-	0.24
Total	15.46	24.33	0.03	-	-	39.82



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

March 31, 2022

Particulars	Current but not due	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Total outstanding dues of micro enterprises and small enterprises	0.04	3.06	-	-	-	3.10
Total outstanding dues of creditors other than micro enterprises and small enterprises	11.32	29.86	-	0.01	-	41.19
Total	11.36	32.92	-	0.01	-	44.29

Note 23

Other financial liabilities (Current)

Particulars	As at March 31, 2023	As at March 31, 2022
Financial Liabilities at amortised cost		
Employee related liabilities	0.36	1.49
Accrued expenses	82.79	8.96
Creditors for Capital Goods	-	0.90
Derivative Liability	-	0.07
Interest accrued but not due	0.87	0.34
Total	84.02	11.76

Movement in Interest accrued but not due and finance charge:

Particulars	As at March 31, 2023	As at March 31, 2022
Opening balance	0.34	0.05
Interest and finance charge accrued during the year	14.26	10.46
Payment of interest and finance charge during the year	(13.73)	(10.17)
Closing balance	0.87	0.34

Note 24

Short term provision

Particulars	As at March 31, 2023	As at March 31, 2022
Provision for compensated absences (Refer note 38)	0.05	0.08
Total	0.05	0.08

Note 25

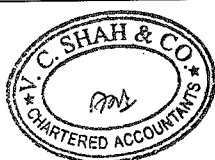
Contract liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Advance from customers	0.99	10.19
Total	0.99	10.19

Note 26

Other current liabilities

Particulars	As at March 31, 2023	As at March 31, 2022
Statutory dues	8.05	0.73
Total	8.05	0.73



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 27

Revenue from operations

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Sale of products	605.61	275.60
Total	605.61	275.60
Within India	605.61	275.60
Outside India	-	-
	605.61	275.60

(A) Disaggregation of revenue from contracts with customers

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

(B) Contract Balances

Particulars	As at March 31, 2022	As at March 31, 2022
Trade Receivables	123.24	6.50
Contract Assets	-	-
Contract Liabilities	0.99	10.19
Contract Price	596.41	285.79
Revenue recognized in the current year from contract liability:		
Advance from Customer	10.19	-
Revenue deferred in the current year towards unsatisfied performance obligation:		
Advance from Customer	(0.99)	(10.19)
Revenue from operations	605.61	275.60

Note 28

Other income

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest Income on:		
Income tax refund	-	0.17
Foreign exchange gain (Net)	1.73	1.36
Total	1.73	1.53



Nykaa-KK Beauty Private Limited
 (All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 29

Cost of material consumed

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Opening Stock	59.51	58.25
Add: Purchase	131.07	96.43
Less: Closing Stock	57.62	59.51
Total	132.96	95.17

Note 30

Purchase of traded goods

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Purchases of traded goods	28.14	62.91
Total	28.14	62.91

Note 31

Changes in inventories of finished goods and Traded goods

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Finished goods		
Opening balance	133.14	40.22
Closing balance	84.71	133.14
	48.43	(92.92)
Traded goods		
Opening balance	17.54	15.35
Closing balance	40.20	17.54
	(22.66)	(2.19)
Total	25.77	(95.11)

Note 32

Employee benefits expense

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries, Wages and Bonus	28.28	14.01
Gratuity expenses (Refer note 38)	0.02	0.04
Compensated expenses	(0.02)	(0.02)
Share based expenses (Refer note 44)	-	(0.36)
Staff welfare expenses	0.62	0.05
Total	28.90	13.72



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 33

Finance costs

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest expenses on borrowings	11.21	7.41
Interest expenses on lease liabilities	1.36	0.90
Interest Expenses on inter-company borrowings	1.47	1.65
Other interest charges	0.09	0.04
Commission on Financial Guarantee	1.64	1.84
Other finance charge	1.58	1.40
Total	17.35	13.24

Note 34

Depreciation and amortisation expense

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Depreciation of property, plant and equipment (Refer note 4)	3.60	1.53
Depreciation of Right-of-use assets (Refer note 5)	4.91	3.75
Amortisation of Intangible assets (Refer note 6)	0.12	0.38
Total	8.63	5.66

Note 35

Other Expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Marketing & Advertisement Expense	52.94	48.69
Beauty advisor Expenses	53.04	16.05
Selling expenses	32.81	2.04
Legal and Professional Fees	1.75	1.95
Web & Technology Expenses	0.63	0.31
Outsource manpower cost	14.12	9.58
Freight Expenses	5.71	1.97
Travelling & Conveyance Expenses	0.13	-
Rates & Taxes	5.70	0.57
Insurance Expenses	3.45	0.63
Rent and Maintenance Expenses	1.34	0.72
Brand Usage Fee	96.90	44.10
Repairs & Maintenance - Others	0.42	0.19
Bank charges	0.27	0.16
Auditors remuneration :		
- Audit fees	0.50	0.25
- Taxation Matters	0.17	0.10
Expenditure towards corporate social responsibility (CSR) activities (Refer note 47)	0.43	0.08
Miscellaneous Expenses	4.34	0.88
Total	274.65	128.27



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 36

Basic & diluted earnings per share

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Nominal value of per equity share	10/-	10/-
Profit after tax	68.42	39.36
Profit attributable to equity shareholders (A)	68.42	39.36
Total number of shares outstanding during the year	10,00,000	10,00,000
Weighted average number of equity shares outstanding during the year (B)	10,00,000	10,00,000
Basic EPS = (A/B)	68.42	39.36
Weighted average number of diluted equity shares (C)	10,00,000	10,00,000
Diluted EPS = (A/C)	68.42	39.36

Note 37

Leases

The Company as lessee

The Company has lease contracts for premises obtained for offices, warehouse etc. Leases of premises generally have lease terms between 3 to 5 years.

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

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the carrying amounts of lease liabilities (included under lease liabilities) and the movements during the year:

Particulars	As at March 31, 2023	As at 31 March 2022
Opening balance	5.74	9.52
Addition	12.05	-
Accretion of interest	1.36	0.90
Payments	(6.03)	(4.67)
Closing balance	13.12	5.74
Current	5.50	2.72
Non-current	7.62	3.02
Total	13.12	5.74

The maturity analysis of lease liabilities are disclosed in note 43.

The effective interest rate for lease liabilities as at March 31, 2023 ranges between 10.50% to 11.50% (March 31, 2022: 9.50%)

The following are the amounts recognized in statement of profit and loss:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Depreciation expenses of right of use assets	4.91	3.75
Interest expenses on lease liabilities	1.36	0.90
Total amount recognised in statement of profit and loss	6.27	4.65



Notes to Financial Statements

Note 38

I) Defined Contribution Plan

During the year, the Company has made contribution/provision to provident fund stated under defined contribution plan amounting to ₹ NIL (March 31, 2022: ₹ NIL) 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. The gratuity benefits payable to the employees are based on the employee's service and last drawn salary at the time of leaving. 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

i. Amount recognised in the Balance Sheet

Particulars	As at March 31, 2023	As at March 31, 2022
Amount to be recognised in balance sheet		
Present value of defined benefit obligation	0.06	0.05
Less: Fair value of plan assets	-	-
Funded status – deficit / (surplus)	0.06	0.05
Net liability recognised in balance sheet	0.06	0.05
Non Current	0.06	0.05
Net liability recognised in balance sheet	0.06	0.05

ii. Changes in the present value of defined benefit obligation

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Reconciliation of Defined Benefit Obligation		
Opening defined benefit obligation	0.05	0.07
Current service cost	0.02	0.04
Interest cost	0.00*	0.00*
Actuarial (Gain)/Loss in obligation for year ended due to changes in financial assumptions	(0.00)*	0.00*
Actuarial (Gain)/Loss in obligation for year ended due to changes in demographic assumptions	(0.01)	(0.05)
Actuarial (Gain)/Loss in obligation for year ended due to changes in experience adjustments	(0.00)*	(0.01)
Closing defined benefit obligations	0.06	0.05

*Numbers are below million under the rounding off convention adopted by the Company and accordingly not reported.



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

B. Amount recognised in the Statement of Profit and Loss under employee benefit expenses and other comprehensive income:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Current service cost	0.02	0.04
Amount recognised in Statement of Profit and Loss	0.02	0.04
Actuarial (Gain)/Loss in obligation for year ended due to changes in demographic assumptions	(0.01)	(0.05)
Actuarial (Gain)/Loss in obligation for year ended due to changes in experience adjustments	(0.00)	(0.01)
Amount recognised in Other Comprehensive Income (OCI)	(0.02)	(0.06)

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

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Mortality Table	IALM (2012-14)	IALM (2012-14)
Discount rate:	7.20%	5.95%
Future salary increases*	8% until year 1 then 6.50%	8% until year 1 then 6.50%
Withdrawal rates	0.00%	0.00%
IALM - Indian Assured Lives Mortality (Ultimate)	IALM (2012-14)	IALM (2012-14)

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

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

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

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

Particulars	As at March 31, 2023	As at March 31, 2022
Within the next 12 months (next annual reporting period)	-	-
Between 2 and 5 years	0.07	0.05
Between 6 and 9 years	0.01	0.02
10 & Above following years	0.00	0.02
Total expected payments	0.08	0.09



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

E. Sensitivity analysis

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

Particulars	As at March 31, 2023	As at March 31, 2022
Discount rate (-/+ 1%)		
Decrease by 100 basis points	0.00*	0.01
Increase by 100 basis points	(0.00)*	0.00*
Future salary increase (-/+ 1%)		
Decrease by 100 basis points	(0.00)*	0.00*
Increase by 100 basis points	0.00*	0.01

*Numbers are below million under the rounding off convention adopted by the Company and accordingly not reported.

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: interest risk, longevity risk and salary risk.

- Interest risk** - A decrease in the discount rate will increase the plan liability.
- 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.
- 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.

Note 39

Related party transactions

Names of the related parties

Relationship	Name of entity
Holding Company	FSN E-Commerce Ventures Limited
	FSN Brands Marketing Private Limited
Fellow Subsidiary*	Nykaa Fashion Private Limited
	Nykaa E-Retail Private Limited
	FSN International Private Limited
	Nykaa Foundation w.e.f.June 8,2022
Directors and Key Management Personnel (KMP)	Ms. Reena Chhabra – Director till August 16, 2022
	Ms. Adwaita Nayar – Director till March 20, 2023
	Mr. Vishal Gupta – Director w.e.f March 30,2023
	Mr. Jagdish Dargar – Director
	Ms. Neha Kanoria – Director upto July 22, 2021
	Ms. Shalini Raghavan – Director

* Where there are transactions in current or previous year



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Particulars	Nature of transactions	Transactions during FY 2022-23	Balance as at March 31, 2023	Transactions during FY 2021-22	Balance as at March 31, 2022
Holding Company					
	Loan taken (net)	(69.33)	(1.81)	70.94	(71.14)
	Rent expenses	7.8	-	4.68	-
	Reimbursement of Expenses	22.02	-	13.59	-
	Interest Expense	1.47	-	1.81	-
	Purchases	6.89	-	0.56	-
	Brands Usage	48.45	(17.01)	22.05	(14.03)
	Lease Liability		(13.12)	-	(5.74)
FSN E-Commerce Ventures Limited	Interest Cost on Lease Liability	1.28	-	0.90	-
	Notional commission on Financial Gurantee	0.85	-	1.84	-
	Commision - Financial Gurantee	0.79	-	-	-
	Notional interest expense on Loan	-	-	(0.16)	-
	Share based Payment	-	-	(0.36)	-
	Equity Contribution	-	(11.67)	1.34	(11.67)
	Sales	-	-	(0.37)	-
Fellow Subsidiary					
	Sales	(357.40)	32.77	(230.73)	(3.00)
Nykaa E-Retail Private Limited	Discount Expenses	63.27	-	39.09	-
	Recovery of corporate Expense	4.75	-	-	-
	Reimbursement of Expenses.	-	-	1.28	-
	Sales	(162.33)	82.23	(75.08)	(1.74)
FSN Brands Marketing Private Limited	Beauty Advisor fees	29.26	-	15.30	-
	Discount Expenses	16.10	-	7.87	-
	Reimbursement of Expenses	-	-	0.04	-
Nykaa Fashion Pvt. Ltd.	Reimbursement of Expenses	-	-	0.06	-
	Sales	(4.00)	-	(0.42)	0.03
	Discount Expenses	0.38	-	-	-
FSN International Private Limited	Marketing Expense	0.75	(0.16)	-	-
Nykaa Foundation	Investment*	0.00*	-	0.00*	-
	Donation	0.43	-	-	-

Figures in brackets indicates payables and income

*Numbers are below million under the rounding off convention adopted by the Company and accordingly not reported.

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 (trade receivables and payables) at the year-end are unsecured and interest free and settlement occurs in cash.

Note 40

Commitments and contingent liabilities

A. Commitments

The Company does not have any contract remaining to be executed on capital account and not provided for (net off advances).

B. Contingent liabilities (not provided for)

The Company does not have any contingent liabilities.



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 41

Segment Information:

The Company has identified Board of Directors and Group CEO as it's Chief Operating Decision Maker (CODM) who reviews and allocates resources based on Omni business and Omni channel strategy, which in terms of Ind AS 108 on 'Operating Segments' constitutes a single reporting segment.

The company operates in a single geographical environment i.e. India.

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

Note 42

Financial Instruments by Category and fair value hierarchy

The fair values of 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: The carrying values of financial assets i.e. cash and cash equivalents, trade receivables, other financial assets and of financial liabilities i.e. trade and other payables and other financial liabilities are reasonable approximation of their fair values due to the short maturities of these instruments.

Particulars	Carrying value as of	
	March 31, 2023	March 31, 2022
Financial Assets:		
Amortised cost		
Trade receivables	123.24	6.50
Cash and cash equivalents	4.50	3.37
FVTPL		
Derivative financial assets ⁽¹⁾	0.03	-
	127.77	9.87
Financial Liabilities:		
Amortised cost		
Borrowings	159.70	160.12
Lease liabilities	13.12	5.74
Trade payables	39.82	44.29
Other financial liabilities	84.02	11.69
FVTPL		
Derivative financial Liability ⁽²⁾		0.07
	296.66	221.91

(1) Included in other current financial assets

(2) Included in other current financial liabilities

Valuation Methodology

During the period ending 31 March 2023 and 31 March 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

The carrying values of the financial assets and liabilities measured at amortised cost are reasonable approximation of their fair values. Accordingly, the fair values of such financial assets and liabilities have not been disclosed separately.

Valuation methodology:

The fair values of 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:



Nykaa-KK Beauty Private Limited**(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)****Notes to Financial Statements**

The valuation techniques used to determine the fair values of financial assets and financial liabilities classified as level 2 include use of quoted market prices or dealer quotes for similar instruments and generally accepted pricing models based on a discounted cash flow analysis using rates currently available for debt on similar terms, credit risk and remaining maturities.

The Company enters into derivative financial instruments such as forward contracts with various counterparties. The fair value of such derivatives instruments are determined using forward exchange rates, currency basis spreads between respective currencies, etc.

Note 43**Financial Risk Management Objectives and Policies:**

The Company's principal financial liabilities comprise borrowings from banks and from holding Company, trade and other payables. The main purpose of these financial liabilities is to finance and support the Company's operations. The Company's principal financial assets comprise cash and bank balance, trade and other receivables that derive directly from its operations.

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

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 risk.

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2023 and March 31, 2022.

a) 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. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Particulars	Increase / decrease	
	in basis points	Effect on profit before tax
March 31, 2023	+50	(0.74)
	-50	0.74
March 31, 2022	+50	(0.37)
	-50	0.37

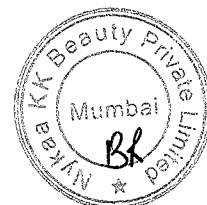
b) Foreign currency risk

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.

The year end foreign currency forward contracts and unhedged foreign currency exposures are given below:

a) Derivatives (forward contracts) outstanding as at the reporting date (in respective currency):

Particulars	Currency	As at March 31, 2023		As at March 31, 2022	
		Foreign currency	Rs.	Foreign currency	Rs.
Forward contracts to Purchases EUR - Trade Payable	Euro	0.19	16.72	0.02	1.96



Nykaa-KK Beauty Private Limited

(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

b) Particulars of unhedged foreign currency exposure as at the reporting date (in respective currency):

Particulars	Currency	As at March 31, 2023		As at March 31, 2022	
		Foreign Currency	Rs.	Foreign Currency	Rs.
Payables:					
Trade payables	USD	0.00*	0.04	-	0.26
Advances:					
Advance to vendors against purchases / expense	USD	0.01	0.82	0.01	0.60
	Euro	0.02	1.87	0.00*	0.17

*Numbers are below million under the rounding off convention adopted by the Company and accordingly not reported.

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

c) 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.

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).

a) Trade receivables

The Company has adopted a policy of dealing with only credit worthy counterparties in case of institutional customers and the credit risk exposure for institutional customers is managed by the Company by credit worthiness checks. The Company's experience of delinquencies and customer disputes have been minimal. Also the Company have a simplified approach to determine impairment loss allowance on the portfolio of trade receivables. This is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. Accordingly, the credit risk is cover by the company. (Refer accounting policy 2A(g)(iv) for expected credit loss on trade receivable).

Movement in allowances for expected credit loss:

Particulars	As at	As at
	March 31, 2023	March 31, 2022
Opening balance	0.11	0.11
Provision made during the year	-	-
Closing balance	0.11	0.11

b) Security deposit

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

c) Other 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.



Nykaa-KK Beauty Private Limited**(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)****Notes to Financial Statements****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.

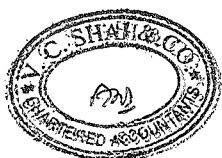
Particulars	Carrying value	Less than 1 year	1 to 5 years	> 5 years	Total
As at March 31, 2023					
Borrowings	159.70	156.09	3.61	-	159.70
Lease liabilities	13.12	6.64	8.59	-	15.22
Trade payables	39.82	39.82	-	-	39.82
Other financial liabilities	84.02	84.02	-	-	84.02
Total	296.66	286.57	12.20	-	298.76
As at March 31, 2022					
Borrowings	160.12	79.76	80.36	-	160.12
Lease liabilities	5.74	3.21	3.26	-	6.47
Trade payables	44.29	44.29	-	-	44.29
Other financial liabilities	11.76	11.76	-	-	11.76
Total	221.91	139.02	83.62	-	222.64

Note 44**Capital management:**

The Company aims to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to its shareholders. For the purpose of the Company's capital management, capital includes issued equity capital, convertible preference shares, securities premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value. The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Company consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

Particulars	As at March 31, 2023	As at March 31, 2022
Gross debt	159.70	160.12
Less: Cash and cash equivalents	(4.50)	(3.37)
Net debt (A)	155.20	156.75
Equity	136.54	68.11
Total Equity (B)	136.54	68.11
Net gearing ratio (A)/(B)	1.14	2.30

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2023 and March 31, 2022.



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 45

Employee Share Based Payment:

Under the Employees Stock Option Scheme – 2017 ("2017 Scheme), the stock options of the holding company were granted to certain employees of the Company. In most cases, the exercise price of the share options is equal to the market price of the underlying shares on the date of grant. Vesting period of options are 3 to 4 years and options are vested equally over the vesting period. Vested options are exercisable as per the terms of the option plan, provided the employee is in employment of the Company on the date of the vesting of the stock options and should not be serving his notice period.

The fair value of the share options is estimated at the grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the share options were granted.

The Company has recognised an expense of Nil (March 31, 2022: Rs. (0.36) Mn) arising from equity settled share based payment transactions for employee services received during the year.

As at the end of the financial year, details and movements of the outstanding options are as follows:

Particulars	As at March 31, 2023	As at March 31, 2022
Options outstanding at the beginning of the year	-	3,60,000
Options granted during the year	-	-
Options forfeited during the year	-	-
Options expired/lapsed during the year	-	-
Options exercised during the year	-	(3,60,000)
Options outstanding at the end of the year	-	-
Excersisable at the end of the year	-	-
For options outstanding at the end of the year:		
Exercise price range	-	Rs. 99 - 1,794
Weighted average remaining contractual life (in years)	-	4.92

b Fair value of options granted

The weighted average share price at the date of exercise of options exercised during the the year was Nil (March, 2022 Rs. 153**)

**The movement of options & the fair value assumptions have been restated to give effect of the bonus shares allotted by the holding company vide Board's approval dated October 03, 2022 in proportion of 5:1, i.e., 5 (five) bonus equity shares of Re 1 each for every 1 (one) fully paid-up equity share held as on the record date.

c Expenses arising from share-based payment transactions

The total expenses arising from share-based payment transactions

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Stock based compensation expense determined under fair value method recognised in statement of profit or loss	-	(0.36)



Nykaa-KK Beauty Private Limited
(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

Note 46

Ratio Analysis and its elements

SN.	Ratio	Numerator	Denominator	March 31, 2023	March 31, 2022	% Change	Reason for changes more than 25%
1	Current ratio	Current assets	Current liabilities	1.31	1.88	-30.62%	Decrease is on account of lower current assets during the year
2	Debt equity ratio	Total debt	Shareholder's equity	1.17	2.35	-50.25%	Decrease is on account of increase in other equity during the current year.
3	Debt service coverage ratio	Earnings for debt service = Net profit after taxes + Non-cash operating expenses+ finance cost	Debt service = Interest & Lease Payments + Principal Repayments	4.75	3.89	22.13%	
4	Return on equity ratio	Net Profits after taxes	Average Shareholder's Equity	66.87%	81.12%	-14.26%	
5	Inventory turnover ratio	Cost of goods sold	Average Inventory	0.95	0.39	144.85%	Increase is on account of Increase in cost of goods sold vis-à-vis increase in average inventory during the year.
6	Trade receivable turnover ratio	Net credit sales = Gross credit sales - sales return	Average Trade Receivable	9.34	8.95	4.36%	
7	Trade payable turnover ratio	Net credit purchases = Gross credit purchases - purchase return	Average Trade Payables	3.79	3.22	17.50%	
8	Net capital turnover ratio	Net sales = Total sales - sales return	Working capital = Current assets - Current liabilities	6.72	2.07	225.26%	Increase is on account of increase in working capital during the current year.
9	Net profit ratio	Net Profit	Net sales = Total sales - sales return	11.30%	14.28%	-2.98%	
10	Return on capital employed	Earnings before interest and taxes	Capital Employed = Tangible Net Worth + Total Debt	35.44%	27.70%	7.73%	

Note 47

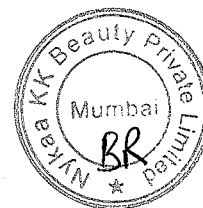
Expenditure towards corporate social responsibility (CSR) activities

SN Particulars	As at March 31, 2023	As at March 31, 2022
a) Gross amount required to be spent by the Company during the year	0.43	0.08
b) Amount spent during the year on the following in cash		
i. Construction/ acquisition of any asset	-	-
ii. On purpose other than (i) above	0.43	0.08
c) The amount of shortfall at the end of the year out of the amount required to be spent by the Company during the year	-	-
d) The total of previous years' shortfall amounts;	-	-
e) Related party transactions in relation to corporate social responsibility	-	-
f) Provision movement during the year	-	-
g) Reason of above shortfall	Not applicable	
h) Nature of CSR activities	Promoting Education, gender equality and health care including preventive health care	

Note 48

Other Statutory Information

- The Company does not have any transactions with Companies struck off.
- The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period,
- The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.



Nykaa-KK Beauty Private Limited

(All amounts are in ₹ Million (Mn), except per share data and unless stated otherwise)

Notes to Financial Statements

- iv. The Company did not have any such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961.
- v. No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- vi. No funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

Note 49

Previous year figures have been regrouped and reclassified wherever required, to confirm the same with current year figures.

As per our report of even date

For V. C. Shah & Co.

Chartered Accountants

ICAI Firm Registration No: 109818W



A. N. Shah

Partner

Membership No: 042649

Place: Mumbai

Date: May 22, 2023



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



Vishal Gupta

Director

DIN 10048743

Place: Mumbai

Date: May 22, 2023



Jagdish Dargar

Director

DIN 00278065

