

S.R. Batliboi & Associates LLP
Chartered Accountants

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

V. C. Shah & Co.
Chartered Accountants

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

INDEPENDENT AUDITORS' REPORT

To the Members of FSN Distribution Limited (erstwhile FSN Distribution Private Limited)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of FSN Distribution Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2024, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2024, its losses including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

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 directors' 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 such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The director's report is not made available to us as at the date of this auditor's report. We have nothing to report in this regard.



Independent auditors' report

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 the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the financial statements

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

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

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



Independent auditors' report

- ▶ 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

1. 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 Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. 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 except for the matters stated in the paragraph (i)(vi) below on reporting under Rule 11(g);
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors as on March 31, 2024 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2024 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;



Independent auditors' report

- (g) In our opinion, the managerial remuneration for the year ended March 31, 2024 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) The modification relating to the maintenance of accounts and other matters connected therewith are as stated in the paragraph (b) above on reporting under Section 143(3)(b) and paragraph (i)(vi) below on reporting under Rule 11(g);
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Company does not have pending litigations - Refer Note 40 to the financial statements;
 - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.;
 - (iv) (a) The management has represented that, to the best of its knowledge and belief, disclosed in the note 49 to the financial statements, 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 or entity, 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;
 - (b) The management has represented that, to the best of its knowledge and belief, as disclosed in the note 49 to the financial statements, no funds have been received by the Company from any person or entity, 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; and
 - (c) Based on such audit procedures that were 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 (a) and (b) contain any material misstatement.
- (v) No dividend has been declared or paid during the year by the Company.



Independent auditors' report

(vi) Based on our examination which included test checks, the Company has used various accounting softwares for maintaining its books of account which have a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the respective software except that as described in Note 48 to the financial statements audit trail feature is not enabled at the

- ▶ database level and for modifications to master data fields in respect of one accounting software and
- ▶ in respect of supporting softwares, audit trail feature is not enabled at database level

With respect to third-party operated software applications, in the absence of Service Organisation Controls report on audit trail, as described in Note 48 to the financial statements, we are unable to comment on whether the audit trail feature with respect to third-party operated software applications was enabled and operated throughout the year for all relevant transactions recorded in these software applications or whether there were any instances of the audit trail feature being tampered with.

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

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number: 058814
UDIN: 24058814BKGSOB1803
Place of Signature: Mumbai
Date: May 22, 2024



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

per Viral J. Shah
Partner
Membership Number: 110120
UDIN: 24110120BKFPQS1126
Place of Signature: Mumbai
Date: May 22, 2024

Independent auditors' report

Annexure 1 referred to in paragraph [1] under Report on 'Other Legal and Regulatory Requirements' of our report of even date

Re: FSN Distribution Limited (the "Company" erstwhile FSN Distribution Private Limited)

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

- (i) (a) (A) The Company has maintained proper records showing full particulars, including situation and quantitative information of Property, Plant and Equipment, except for description details, which are pending updation in the records maintained by the company.

(B) The Company has maintained proper records showing full particulars of intangibles assets reflected in the books.
- (b) The Company has a programme of physical verification of Property, Plant and Equipment to cover all the items in phased manner over a period of three years, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. Pursuant to such a programme, verification of Property, Plant and Equipment for previous year has been concluded during the year. No material discrepancies were noticed on such verification.
- (c) According to information and explanations given by the management and based on the examination of the financial statements there is no immovable property held in the name of the Company. In respect of immovable properties that have been taken on lease and disclosed as property, plant, and equipment in the financial statement, based on our examination of the lease agreements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (d) The Company has not revalued its Property, Plant and Equipment (including Right of use assets) or intangible assets during the year ended March 31, 2024.
- (e) There are no proceedings initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed upon such verification. In our opinion the coverage and the procedure of such verification by the management is appropriate.
- (b) As disclosed in note 21 to the financial statements, the Company has been sanctioned working capital limits in excess of Rs five crores in aggregate from banks during the year 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 audited / unaudited books of accounts of the Company.



Independent auditors' report

- (iii) (a) During the year the Company has not provided loans, advances in the nature of loans, stood guarantee or provided security to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(a) of the Order is not applicable to the Company.
- (b) During the year the Company has not made investments, provided guarantees, provided security and granted loans and advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(b) of the Order is not applicable to the Company.
- (c) The Company has not granted loans and advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(c) of the Order is not applicable to the Company.
- (d) The Company has not granted loans or advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(d) of the Order is not applicable to the Company.
- (e) There were no loans or advance in the nature of loan granted to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(e) of the Order is not applicable to the Company.
- (f) The Company has not granted any loans or advances in the nature of loans, either repayable on demand or without specifying any terms or period of repayment to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(f) of the Order is not applicable to the Company.
- (iv) There are no loans, investments, guarantees, and security in respect of which provisions of sections 185 and 186 of the Companies Act, 2013 (the 'Act') are applicable and accordingly, the requirement to report on clause 3(iv) of the Order is not applicable to the Company.
- (v) The Company has neither accepted any deposits from the public nor accepted any amounts which are deemed to be deposits within the meaning of sections 73 to 76 of the Act and the rules made thereunder, to the extent applicable. Accordingly, the requirement to report on clause 3(v) of the Order is not applicable to the Company.
- (vi) The Company is not in the business of sale of any goods or provision of such services as prescribed. Accordingly, the requirement to report on clause 3(vi) of the Order is not applicable to the Company.



Independent auditors' report

- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues applicable to it. According to the information and explanations given to us and based on audit procedures performed by us, no undisputed amounts payable in respect of these statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (b) There are no dues of goods and services tax, provident fund, employees' state insurance, income tax, sales-tax, service tax, custom duty, excise duty, value added tax, cess, and other statutory dues which have not been deposited on account of any dispute.
- (viii) The Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.
- (ix) (a) The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.
- (b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
- (c) Term loans were applied for the purpose for which the loans were obtained.
- (d) On an overall examination of the financial statements of the Company, no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) The Company does not have any subsidiary, associate or joint venture. Accordingly, the requirement to report on clause 3(ix)(e) of the Order is not applicable to the Company.
- (f) The Company does not have any subsidiary, associate or joint venture. Accordingly, the requirement to report on Clause 3(ix)(f) of the Order is not applicable to the Company.
- (x) (a) The Company has not raised any money during the year by way of initial public offer/ further public offer (including debt instruments) hence, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company.
- (b) The Company has not made any preferential allotment or private placement of shares /fully or partially or optionally convertible debentures during the year under audit and hence, the requirement to report on clause 3(x)(b) of the Order is not applicable to the Company.
- (xi) (a) No fraud by the Company or no fraud on the Company has been noticed or reported during the year.



Independent auditors' report

- (b) During the year, no report under sub-section (12) of section 143 of the Act has been filed by the secretarial auditor or by us in Form ADT - 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.
- (xii) In our opinion, the Company is not a Nidhi company as per the provisions of the Act. Therefore, the requirement to report on clause 3(xii) of the Order is not applicable to the Company.
- (xiii) Transactions with the related parties are in compliance with sections 188 of 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 3(xiii) of the Order insofar as it relates to section 177 of the Act is not applicable to the Company.
- (xiv) a) The Company does not have an internal audit system and is not required to have an internal audit system under the provisions of Section 138 of the Act. Therefore, the requirement to report under clause 3(xiv)(a) of the Order is not applicable to the Company.
- b) The Company does not have an internal audit system and is not required to have an internal audit system under the provisions of Section 138 of the Companies Act, 2013. Therefore, the requirement to report under clause 3(xiv)(b) of the Order is not applicable to the Company.
- (xv) The Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company.
- (xvi) (a) The provisions of section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) are not applicable to the Company. Accordingly, the requirement to report on clause (xvi)(a) of the Order is not applicable to the Company.
- (b) The Company has not engaged in any Non-Banking Financial or Housing Finance activities. Accordingly, the requirement to report on clause 3(xvi)(b) of the Order is not applicable to the Company.
- (c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi)(c) of the Order is not applicable to the Company.
- (d) There is no Core Investment Company as a part of the Group, hence, the requirement to report on clause 3(xvi)(d) of the Order is not applicable to the Company.
- (xvii) The Company has cash losses amounting to Rs. 1,475.35 million in the current year and amounting to Rs. 984.98 million in the immediately preceding financial year respectively.



Independent auditors' report

- (xviii) There has been no resignation of the statutory auditors during the year and accordingly requirement to report on clause 3(xviii) of the Order is not applicable to the Company.
- (xix) On the basis of the financial ratios disclosed in note 46 to the financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, 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 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) The provisions of Section 135 to the Act in relation to Corporate Social Responsibility is not applicable to the Company. Accordingly, the requirement to report on clause 3(xx)(a) of the Order is not applicable to the Company.
- b) The provisions of Section 135 to the Act in relation to Corporate Social Responsibility is not applicable to the Company. Accordingly, the requirement to report on clause 3(xx)(b) of the Order is not applicable to the Company.

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

Nilangshu Katriar

per Nilangshu Katriar
Partner
Membership Number:058814
UDIN: 24058814BKGSOB1803
Place of Signature: Mumbai
Date: May 22, 2024



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

per Viral J. Shah
Partner
Membership Number:110120
UDIN: 24110120BKFPQS1126
Place of Signature: Mumbai
Date: May 22, 2024

Independent auditors' report

ANNEXURE '2' TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE

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

We have audited the internal financial controls with reference to financial statements of FSN Distribution Limited (erstwhile FSN Distribution Private Limited) as of March 31, 2024 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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



Independent auditors' report

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

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

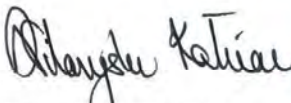
Inherent Limitations of Internal Financial Controls with Reference to these Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2024, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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



per Nilangshu Katriar
Partner
Membership Number:058814
UDIN: 24058814BKGSOB1803
Place of Signature: Mumbai
Date: May 22, 2024



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

per Viral J. Shah
Partner
Membership Number:110120
UDIN: 24110120BKFQPS1126
Place of Signature: Mumbai
Date: May 22, 2024

FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, unless stated otherwise)

Balance sheet as at March 31, 2024

Particulars	Notes	As at March 31, 2024	As at March 31, 2023
Assets			
Non-current assets			
Property, plant and equipment	4	144.11	164.34
Intangible assets	5	48.85	9.65
Right of use assets	6	56.42	107.26
Intangible assets under development	5A	0.32	10.80
Financial assets			
Investments	7	0.00	0.00
Other financial assets	8	3.80	8.49
Deferred tax assets (net)	9	665.43	274.38
Non-current tax assets (net)		2.18	1.09
Other non-current assets	10	0.38	11.59
Total non-current assets (A)		921.49	587.60
Current assets			
Inventories	11	493.78	497.39
Financial assets			
Trade receivables	12	123.12	213.72
Cash and cash equivalents	13	1.11	1.30
Other financial assets	14	91.52	48.74
Other current assets	15	503.04	259.88
Total current assets (B)		1,212.57	1,021.03
Total assets (A+B)		2,134.06	1,608.63
Equity and Liabilities			
Equity			
Equity share capital	16	0.10	0.10
Other equity	17	(1,954.88)	(816.39)
Total equity (A)		(1,954.78)	(816.29)
Non-current liabilities			
Financial liabilities			
Borrowings	18	2,850.00	250.00
Lease liabilities	19	25.21	58.43
Provisions	20	1.84	1.90
Total non-current liabilities (B)		2,877.05	310.33
Current liabilities			
Financial liabilities			
Borrowings	21	627.99	1,467.11
Lease liabilities	22	37.14	55.07
Trade payables	23		
-Total outstanding dues of micro enterprise and small enterprises		45.19	21.32
-Total outstanding dues of creditors other than micro enterprises and small enterprises		308.33	366.76
Other financial liabilities	24	178.68	185.62
Provisions	25	1.90	4.47
Contract liabilities	26	1.98	2.18
Other current liabilities	27	10.58	12.06
Total current liabilities (C)		1,211.79	2,114.59
Total liabilities (B+C)		4,088.84	2,424.92
Total equity and liabilities (A+B+C)		2,134.06	1,608.63

The accompanying notes form 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

per Viraj J. Shah

Partner

Membership No: 110120



As per our report of even date

For S. R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration No: 101049W/E300004

per Nilangshu Katriar

Partner

Membership No: 058814

Place: Mumbai

Date:



For and on behalf of Board of Directors of
FSN Distribution Limited

P Ganesh

Director

DIN No. 07202923

Place: Mumbai

Date:

Vishal Gupta

Director

DIN No. 10048743

Place: Mumbai

Date:



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Statement of Profit and Loss for the year ended March 31, 2024

Particulars	Notes	For the year ended March 31, 2024	For the year ended March 31, 2023
Income			
Revenue from operations	28	3,605.64	1,624.96
Other income	29	1.95	0.61
Total Income		3,607.59	1,625.57
Expenses			
Purchases of traded goods	30	3,228.83	1,881.54
Changes in inventories of stock-in-trade	31	0.01	(481.82)
Employee benefits expense	32	362.05	345.50
Finance costs	33	225.88	68.37
Depreciation and amortisation expense	34	99.51	57.13
Other expenses	35	1,225.02	781.55
Total expenses		5,141.30	2,652.27
Loss before tax		(1,533.71)	(1,026.70)
Tax expense/ (benefit)	9		
Current tax		-	-
Deferred tax		(391.40)	(258.18)
Total tax (benefit)		(391.40)	(258.18)
Loss for the year		(1,142.31)	(768.52)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement gain/(loss) of defined benefit plans	38	1.41	0.14
Income tax effect on above	9	(0.35)	(0.03)
Other comprehensive income for the year, net of tax		1.06	0.11
Total comprehensive (loss) for the year, net of tax		(1,141.25)	(768.41)
Earnings per share of face value ₹ 10/- each	36		
Basic		(1,14,231.00)	(76,852.00)
Diluted		(1,14,231.00)	(76,852.00)
The accompanying notes form 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

per **Viral J. Shah**

Partner

Membership No: 110120



As per our report of even date

For S. R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration No: 101049W/E300004

per **Nilangshu Katriar**

Partner

Membership No: 058814



Place: Mumbai

Date:

**For and on behalf of Board of Directors of
FSN Distribution Limited**

P Ganesh

Director

DIN No. 07202923

Place: Mumbai

Date:

Vishal Gupta

Director

DIN No. 10048743

Place: Mumbai

Date:



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Statement of Changes in Equity for the year ended March 31, 2024

A. Equity share capital: (refer note 16)

Particulars	No. of shares	Amount
Equity shares of ₹ 10 each issued, subscribed and fully paid		
As at April 1, 2022	10,000	0.10
Issued during the year	-	-
As at March 31, 2023	10,000	0.10
Issued during the year	-	-
As at March 31, 2024	10,000	0.10

B. Other equity: (refer note 17)

Particulars	Capital contribution from parent	Reserves and surplus Retained Earnings	Other Comprehensive Income (OCI)	Total other equity
As at April 1, 2022	-	(48.28)	-	(48.28)
(Loss) for the year	-	(768.52)	-	(768.52)
Other comprehensive income	-	-	0.11	0.11
Total comprehensive Loss	-	(768.52)	0.11	(768.41)
Additions during the year	0.30	-	-	0.30
As at March 31, 2023	0.30	(816.80)	0.11	(816.39)
(Loss) for the year	-	(1,142.31)	-	(1,142.31)
Other Comprehensive Income	-	-	1.06	1.06
Total Comprehensive Loss	-	(1,142.31)	1.06	(1,141.25)
Additions during the year	2.76	-	-	2.76
As at March 31, 2024	3.06	(1,959.11)	1.17	(1,954.88)

The accompanying notes form 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



per Viraj J. Shah
Partner
Membership No: 110120

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



per Nilangshu Katriar
Partner
Membership No: 058814

Place: Mumbai
Date:

For and on behalf of Board of Directors of
FSN Distribution Limited

per

P Ganesh
Director
DIN No. 07202923

Place: Mumbai
Date:

per

Vishal Gupta
Director
DIN No. 10048743

Place: Mumbai
Date:



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Statement of Cash Flows for the year ended March 31, 2024

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Cash flows from operating activities		
Loss before tax as per statement of profit and loss	(1,533.71)	(1,026.70)
Adjustments to reconcile loss before tax to net cash flows:		
Depreciation of property, plant and equipment and right of use assets	92.75	54.79
Amortisation of intangible assets	6.76	2.34
Interest expense and other finance costs	225.88	88.37
Share based expense	2.76	0.30
Provision for leave compensated expense	(1.16)	2.74
Provision for gratuity expense	1.34	1.27
Allowance for expected credit loss	9.86	11.13
Interest income	(1.35)	(0.61)
Gain on cancellation of lease	(0.60)	-
Operating (loss) before working capital changes	(1,197.47)	(886.37)
Adjustments for changes in working capital:		
Decrease / (Increase) in trade receivables	80.74	(224.85)
Decrease / (Increase) in Inventories	3.61	(497.39)
(Increase) in financial assets	(37.52)	(60.13)
(Increase) in other current assets	(243.16)	(254.32)
(Decrease) / Increase in trade payables	(34.56)	378.38
(Decrease) / Increase in other financial liabilities	(22.30)	164.99
(Decrease) / Increase in other current liabilities	(1.48)	9.43
(Decrease) in provisions	(1.75)	(1.29)
Cash used in operations	(1,453.89)	(1,371.55)
Payment of direct taxes (net of refund)	(0.67)	(1.09)
Net cash flows used in operating activities (A)	(1,454.56)	(1,372.64)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(44.14)	(217.62)
Investment in fellow subsidiary	-	(0.00)*
Net cash flows used in investing activities (B)	(44.14)	(217.62)
Cash flows from financing activities		
Proceeds from non-current borrowings	2,600.00	250.00
(Repayment) / Proceeds from Current Borrowings (net)	(839.12)	1,417.37
Interest paid on borrowings	(199.06)	(48.30)
Principal payment of lease liabilities	(52.56)	(26.16)
Interest paid on lease liabilities	(8.50)	(8.71)
Commission paid on financial guarantee	(2.25)	-
Net cash flows from financing activities (C)	1,498.51	1,584.20
Net (decrease) in cash and cash equivalents (A+B+C)	(0.19)	(6.06)
Cash and cash equivalents at the beginning of the year	1.30	7.36
Cash and cash equivalents at the end of the year (refer note 13)	1.11	1.30

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

Note:

- 1) Non cash transactions relating to investing and financing activities refer note 24 and note 37.
- 2) The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS) 7 Statement of Cash flow.

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

per Viral J. Shah
Partner
Membership No: 110120



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

per Nilangshu Katriar
Partner
Membership No: 058814

Place: Mumbai
Date:



For and on behalf of Board of Directors of
FSN Distribution Limited

P Ganesh
Director
DIN No. 07202923

Place: Mumbai
Date:

Vishal Gupta
Director
DIN No. 10048743

Place: Mumbai
Date:



Notes to Financial Statements

1. Corporate Information

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

The Company had converted from a Private Limited Company to a Public Limited Company, pursuant to a special resolution passed in the extraordinary general meeting of the shareholders of the Company held on November 10, 2023 and consequently the name of the Company was changed to FSN Distribution Limited vide fresh certificate of incorporation issued by ROC on January 12, 2024.

The Company is engaged in the business of selling beauty, hygiene and wellness products through its distribution network to the wholesalers and retailers using online and offline channels of sales. The financial statement for the year ended March 31, 2024 were approved by board of directors on May 22, 2024.

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

2A. 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 basis, except for the following:

- certain financial assets and liabilities (including derivative instruments)
- defined benefit plans
- share-based payments.

iii) New and amended standards adopted by the Company

The Ministry of Corporate Affairs had vide notification dated March 23, 2023 notified Companies (Indian Accounting Standards) Amendment Rules, 2023 which amended certain accounting standards (see below), and are effective April 01, 2023.

- a) Disclosure of accounting policies – amendments to Ind AS 1
- b) Definition of accounting estimates amendments to Ind AS 8

Deferred tax related to assets and liabilities arising from a single transaction – amendments to Ind AS 12

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

These amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.



Notes to Financial Statements

iv) New and amended standards issued but not effective

There are no standards that are notified and not yet effective as on the date.

v) Going Concern

The Company has a deficit of ₹ 1,142.31 million for the year ended March 31, 2024 (March 31, 2023 - deficit of ₹ 768.52 million). The Company has accumulated losses of ₹ 1,959.11 million as at March 31, 2024 (March 31, 2023: ₹ 816.80 million), resulting in erosion of Company's net worth. However, the management of the Company is confident of its ability to continue the objectives of the Company for the foreseeable future. The Shareholders/Holding Company have committed to provide financial support to the Company to meet its objectives, capital requirements and settle its liabilities/obligations as they become due, over the next twelve months from the date of said financial statement, accordingly, the said financial statements have been prepared on going concern basis.

2B. Summary of material 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.



Notes to Financial Statements

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

Cost incurred on property, plant and equipment not ready for their intended use is disclosed as Capital Work-in-Progress 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 recognised in the Statement of Profit and Loss when the asset is derecognised.

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 and Hardware	3
Furniture and Fixtures	10
Office Equipment	5
Vehicles	8
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 estimate.

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 capitalised development costs, are not capitalised 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.



Notes to Financial Statements

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

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

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 fair value 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 Cash Generating Unit (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.



Notes to Financial Statements

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 assets' 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.

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:

- Stock in trade: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in, first out basis.

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

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

f) Leases

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

Company as a lessee:

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

i. Right-of-use assets

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.



Notes to Financial Statements

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

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

ii. Lease liabilities:

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

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

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

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

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

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.

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.

Financial Assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in section 2B(h) Revenue from contracts with customers.



Notes to Financial Statements

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial Liabilities

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

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

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 recognised in OCI. These gains/ losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

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



Notes to Financial Statements

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

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 115.

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

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.

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.



Notes to Financial Statements

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.

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 recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in profit or loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.



Notes to Financial Statements

FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss the reclassification date.

h) Revenue recognition:

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.

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



Notes to Financial Statements

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. Marketing support revenue

- The Company recognises marketing income i.e. visibility services provided by the Company to various brands at retail outlets of the Company. Revenue from advertisement services is recognised when advertisement is displayed.
- Revenue from sale of online advertisements is recognised based on output method and the Company applies the practical expedient to recognise advertising revenue in the amount to which the Company has a right to invoice upon rendering of services.

iii. Contract balances:

- Contract assets

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

- Trade receivables

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

- Contract liabilities

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

i) Provisions

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

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

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



Notes to Financial Statements

j) Share based Payments

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 recognises a corresponding increase in equity as contribution from parent.

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

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

k) 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 recognised 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 recognises 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.



Notes to Financial Statements

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 utilisation / encashment. The liability is provided based on the number of days of recognised 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.

1) 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:



Notes to Financial Statements

- 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 recognised 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. The management selects appropriate valuation techniques using discounted cash flow model when the fair value of the financial assets and liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets. 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. External valuers are involved for valuation of significant assets and liabilities. The management selects external valuer on various criteria such as market knowledge, reputation, independence and whether professional standards are maintained by valuer. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

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

m) Income taxes

Tax expense comprises current and deferred tax.

Current income tax

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

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and the carry forward of any unused tax losses. Deferred tax assets are recognised 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 utilised, except:



Notes to Financial Statements

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised 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 recognised outside profit and loss is recognised 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 shall 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.

n) 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, except where the result would be anti-dilutive.

o) Segment reporting

The Company drives synergy across fulfilment models, sales channels and product categories and accordingly the Chief Operating Decision Maker ('CODM') 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.

p) 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.



Notes to Financial Statements

3. 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.



Notes to Financial Statements

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.

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.



Notes to Financial Statements

f. Provision

Provisions and liabilities are recognised 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 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]



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 4

Property, plant and equipment

Particulars	Computer Equipment	Furniture and Fixtures	Office Equipments	Leasehold Improvements	Total
Gross carrying amount					
As at April 1, 2022	-	-	-	-	-
Additions	32.49	93.50	41.71	15.52	183.22
Disposals	-	-	-	-	-
As at March 31, 2023	32.49	93.50	41.71	15.52	183.22
Additions	0.45	7.07	5.64	5.80	18.96
Disposals	-	-	-	-	-
As at March 31, 2024	32.94	100.57	47.35	21.32	202.18
Accumulated depreciation					
As at April 1, 2022	-	-	-	-	-
Depreciation charge for the year	7.73	5.72	3.80	1.63	18.88
Disposals	-	-	-	-	-
As at March 31, 2023	7.73	5.72	3.80	1.63	18.88
Depreciation charge for the year	11.24	9.97	9.25	8.73	39.19
Disposals	-	-	-	-	-
As at March 31, 2024	18.97	15.69	13.05	10.36	58.07
Net carrying amount					
As at March 31, 2024	13.97	84.88	34.30	10.96	144.11
As at March 31, 2023	24.76	87.78	37.91	13.89	164.34

Notes:

1. Movable assets have been pledged to secure borrowings of the Company (Refer Note - 21)
2. Refer note 40 for capital commitments.



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 5

Intangible assets

Particulars	Business Application Development Cost
Gross carrying amount	
As at April 1, 2022	-
Additions	11.99
Disposals/adjustments	-
As at March 31, 2023	11.99
Additions	45.96
Disposals/adjustments	-
As at March 31, 2024	57.95
Accumulated amortisation	
As at April 1, 2022	-
Amortisation charge for the year	2.34
Disposals/adjustments	-
As at March 31, 2023	2.34
Amortisation charge for the year	6.76
Disposals/adjustments	-
As at March 31, 2024	9.10
Net carrying amount	
As at March 31, 2024	48.85
As at March 31, 2023	9.65

Note 5A

Intangible assets under development

Particulars	Business Application Development Cost
As at April 1, 2022	
Addition	10.80
Capitalisation	-
As at March 31, 2023	10.80
Addition	6.81
Capitalisation	(17.29)
As at March 31, 2024	0.32

Intangible assets under development consists of web portal development

Intangible assets under development ageing schedule:

Particulars	Amount of the Intangible assets under development for a period of					Total
	Less than 1 year	0-1 years	1-2 years	2-3 years	More than 3 years	
As at March 31, 2024						
Projects in progress	0.32	-	-	-	-	0.32
As at March 31, 2023						
Projects in progress	10.80	-	-	-	-	10.80

Note:

There are no overdue or cost overrun projects compared to its original plan and no projects which are temporarily suspended, on the above-mentioned reporting dates.

Note 6

Right of use assets

Particulars	Right of Use Assets
As at April 1, 2022	-
Additions	143.17
Disposals/adjustments	-
As at March 31, 2023	143.17
Additions	11.32
Disposals/adjustments	(15.41)
As at March 31, 2024	139.08
Accumulated depreciation	
As at April 1, 2022	-
Depreciation charge for the year	35.91
Disposals/adjustments	-
As at March 31, 2023	35.91
Depreciation charge for the year	53.66
Disposals/adjustments	(6.81)
As at March 31, 2024	82.66
Net carrying amount	
As at March 31, 2024	56.42
As at March 31, 2023	107.26



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 7

Investments (Non-current)

Particulars	As at March 31, 2024	As at March 31, 2023
Investments in subsidiaries (Unquoted, fully paid up)		
(A) Investments in Equity Instruments of Fellow Subsidiaries (at cost)		
Nykaa foundation		
1 fully paid equity shares of ₹ 10 each (March 31, 2023: ₹ 1 fully paid equity shares of ₹ 10 each)	0.00*	0.00*
Total	0.00	0.00

Particulars	As at March 31, 2024	As at March 31, 2023
Aggregate amount of unquoted investments	0.00*	0.00*
Aggregate amount of impairment in value of investments	-	-

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

Note 8

Other financial assets (Non-current)

Particulars	As at March 31, 2024	As at March 31, 2023
Measured at amortised cost (unsecured and considered good)		
Security deposits	3.80	8.49
Total	3.80	8.49

Note 9

Income tax

a) Expense/(Benefit) recognised in statement of profit or loss:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Deferred tax		
In respect of current year	(391.40)	(258.18)
Income tax (benefit) reported in the statement of profit or loss	(391.40)	(258.18)

b) Expense/(Benefit) recognised in other comprehensive income

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Deferred tax		
Remeasurement gain/(loss) of defined benefit plans	(0.35)	(0.03)
Income tax expense reported in the other comprehensive income	(0.35)	(0.03)

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2024 and March 31, 2023:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
(Loss) before tax	(1,533.71)	(1,026.70)
Applicable tax rate	25.17%	25.17%
Tax using the Company's domestic tax rate	(386.03)	(258.42)
Tax effect of:		
Others	(5.37)	0.24
Total Tax (benefit)	(391.40)	(258.18)
Income tax expenses as per statement of profit and loss	-	-
Deferred tax	(391.40)	(258.18)
Tax (benefit) recognised in the statement of profit and loss	(391.40)	(258.18)
Effective tax rate	25.52%	25.15%



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Deferred tax relates to the following:

Particulars	As at March 31, 2024	As at March 31, 2023
Expenses allowable on payment basis	0.94	1.60
Tax losses	641.04	268.61
Lease Liabilities	15.70	28.57
Depreciation and amortisation on tangible and intangible assets	3.28	-
Others	18.44	6.86
Deferred tax assets (A)	679.40	305.64
Depreciation and amortisation on tangible and intangible assets	-	1.90
Depreciation on Right of use assets	13.97	26.56
Others	-	2.80
Deferred tax liabilities (B)	13.97	31.26
Deferred tax assets (net) (A-B)	665.43	274.38

Reconciliation of deferred tax assets (net):

Particulars	As at March 31, 2024	As at March 31, 2023
Opening balance as at April 1	274.38	16.23
Tax benefit during the period recognised in profit or loss	391.40	258.18
Tax benefit/(expense) during the period recognised in OCI	(0.35)	(0.03)
Closing balance as at March 31	665.43	274.38

During the year ended March 31, 2024, the Company reassessed recognition of deferred tax assets on carry forward losses and unabsorbed depreciation. The Company recognised net deferred tax assets in respect of carry forward losses, unabsorbed depreciation and other temporary differences of ₹ 665.43 million as at March 31, 2024 (As at March 31, 2023 ₹ 274.38 million). In assessing the realisability of its deferred tax assets, the management has considered business projection for foreseeable future period and believes that such projections are reliable and represent convincing evidence which provides reasonable certainty that sufficient taxable profit will be available against which the carry forward losses and unabsorbed depreciation can be utilised.

Note 10

Other non-current assets

Particulars	As at March 31, 2024	As at March 31, 2023
Capital advance	0.38	11.59
Total	0.38	11.59

Note 11

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

Particulars	As at March 31, 2024	As at March 31, 2023
Stock-in-trade	481.81	481.82
Packing material	11.97	15.57
Total	493.78	497.39

As at March 31, 2024, ₹ 51.86 Mn (March 31, 2023: ₹ 26.88 Mn) is recognised as provision taking into account various factors, including obsolescence of material, unserviceable items and ageing of material.

Inventory includes goods in transit:

Stock-in-trade - As at March 31, 2024: ₹ 0.57 Mn (March 31, 2023: ₹ 2.91 Mn)

Note 12

Trade receivables (Unsecured)

Particulars	As at March 31, 2024	As at March 31, 2023
Trade receivables - considered good	123.12	213.72
Trade receivables- credit impaired	20.99	11.13
Less: Allowances for expected credit loss (Refer note 43)	(20.99)	(11.13)
Total	123.12	213.72

Notes:

1. No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person.
2. Refer note 39 for receivables from related parties.



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Gross trade receivables ageing schedule:

As at March 31, 2024

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	1.83	117.96	3.33	-	-	-	123.12
Undisputed trade receivable – credit impaired	-	-	12.03	6.18	2.78	-	20.99
Total	1.83	117.96	15.36	6.18	2.78	-	144.11

As at 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	36.70	177.02	-	-	-	-	213.72
Undisputed trade receivable – credit impaired	0.07	0.36	10.70	-	-	-	11.13
Total	36.77	177.38	10.70	-	-	-	224.85

Note 13

Cash and cash equivalents

Particulars	As at March 31, 2024	As at March 31, 2023
Balance with banks in current accounts	1.11	1.30
Total	1.11	1.30

Note 14

Other financial assets (current)

Particulars	As at March 31, 2024	As at March 31, 2023
Measured at amortised cost		
Security Deposits (Unsecured and considered good)	7.48	-
Receivable from COD/Prepaid	31.20	18.36
Unbilled receivables	52.84	30.38
Total	91.52	48.74

Note 15

Other assets (current) (Unsecured, Considered good)

Particulars	As at March 31, 2024	As at March 31, 2023
Advance to suppliers	14.10	12.06
Balance with statutory / government authorities	485.42	240.35
Prepaid expenses	1.54	3.44
Advance against expenses	1.98	4.03
Total	503.04	259.88



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 16

Equity share capital

i) Authorised share capital

Particulars	As at March 31, 2024		As at March 31, 2023	
	No of Shares	Amount	No of Shares	Amount
Equity shares of ₹ 10 each	1,50,000	1.50	1,50,000	1.50

ii) Issued, subscribed and fully paid-up equity share capital

Particulars	As at March 31, 2024		As at March 31, 2023	
	No of Shares	Amount	No of Shares	Amount
Equity shares of ₹ 10 each	10,000	0.10	10,000	0.10

Notes:

(a) 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 dividend as when the Company declares and pays dividend after obtaining shareholders approval.

During the year ended March 31, 2024, the amount of per share dividend recognised as distribution to equity shareholders was ₹ Nil (March 31, 2023: ₹ Nil).

(b) Shares held by Holding Company and its nominees

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

Name of the shareholder	As at March 31, 2024		As at March 31, 2023	
	No. of shares	% holding	No. of shares	% holding
FSN E-Commerce Ventures Limited (held jointly with Nominees), holding Company	10,000	100.00%	10,000	100.00%

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

Name of the shareholder	As at March 31, 2024		As at March 31, 2023	
	No. of shares	% holding	No. of shares	% holding
FSN E-Commerce Ventures Limited (held jointly with Nominees), holding Company	10,000	100.00%	10,000	100.00%

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares. Neither bonus shares issued nor shares issued for consideration other than cash for the period of five years immediately preceding the reporting date.

(d) Shares issued for consideration other than cash

The Company has not issued any share for consideration other than cash during the period of five years immediately preceding the reporting date.

[This space has been intentionally left blank]



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 17

Other equity

Particulars	As at March 31, 2024	As at March 31, 2023
(i) Retained earnings		
Opening balance	(816.80)	(48.28)
Add: (Loss) during the year	(1,142.31)	(768.52)
Closing balance (A)	(1,959.11)	(816.80)
(ii) Other comprehensive income		
Opening balance	0.11	-
Add: Additions during the year	1.06	0.11
Closing balance (B)	1.17	0.11
(iii) Capital Contribution from Parent		
Opening balance	0.30	-
Add : Additions during the year	2.76	0.30
Closing balance (C)	3.06	0.30
Total (A+B+C)	(1,954.88)	(816.39)

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) **Capital Contribution from parent consist of:**

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

[This space has been intentionally left blank]



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 18

Borrowings (non-current)

Particulars	As at March 31, 2024	As at March 31, 2023
Unsecured at amortised cost		
Loan from Holding Company (FSN E-Commerce Ventures Limited)	2,850.00	250.00
Total	2,850.00	250.00

(i) Term of loans from holding company

The above loan carries an interest rate referenced to the government security rate close to the tenor of the loan and mutually agreed spread. The Interest rate being charged is 9.50 % p.a. (March 31, 2023- 7% p.a.)

(ii) Refer note 43 for maturity profile of above loans.

(iii) Refer note 39 for Related party transactions.

Note 19

Lease Liabilities (non-current)

Particulars	As at March 31, 2024	As at March 31, 2023
Payable for lease liabilities (refer note 37)	25.21	58.43
Total	25.21	58.43

Note 20

Non-current provisions

Particulars	As at March 31, 2024	As at March 31, 2023
Provision for gratuity (refer note 38)	1.84	1.90
Total	1.84	1.90

Note 21

Borrowings (current)

Particulars	As at March 31, 2024	As at March 31, 2023
Secured		
Working capital loan from Banks (Refer notes i to v)	144.73	80.47
Unsecured		
Working capital loan from Banks (Refer notes ii to iv)	140.95	149.44
Loan from Holding Company (FSN E-Commerce Ventures Limited) (refer note vi)	342.31	1,187.83
Current maturities of loan from Holding Company (FSN E-Commerce Ventures Limited)	-	49.37
Total	627.99	1,467.11

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 and corporate guarantee of FSN E Commerce Ventures Limited.

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

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

iv) As at March 31, 2024, the Company had undrawn funded and non-funded borrowing facilities of ₹ 14.3 Mn (March 31, 2023: ₹ 70.09 Mn)

v) Quarterly statements of current assets filed by the Company with banks for FY 2023-24 and FY 2022-23 are in agreement with the audited/unaudited books of accounts.

vi) The above loan carries an interest rate referenced to the government security rate close to the tenor of the loan and mutually agreed spread. The Interest rate being charged is 7.50 % p.a. (March 31, 2023- 7.5% p.a.)

(vii) Refer note 39 for Related party transactions.

Note 22

Lease liabilities (Current)

Particulars	As at March 31, 2024	As at March 31, 2023
Payable for lease liabilities (Refer note 37)	37.14	55.07
Total	37.14	55.07

Note 23

Trade payables

Particulars	As at March 31, 2024	As at March 31, 2023
Total outstanding dues of micro enterprises and small enterprises	45.19	21.32
Total outstanding dues of trade payables other than micro enterprises and small enterprises	308.33	366.76
Total	353.52	388.08



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Trade payables aging schedule

As at March 31, 2024

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	36.69	8.50	-	-	-	45.19
Total outstanding dues of creditors other than micro enterprises and small enterprises	176.77	114.54	17.02	-	-	308.33
Total	213.46	123.04	17.02	-	-	353.52

As at 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	1.01	20.31	-	-	-	21.32
Total outstanding dues of creditors other than micro enterprises and small enterprises	11.17	355.60	-	-	-	366.76
Total	12.18	375.91	-	-	-	388.08

Refer note 39 for payables to related parties.

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

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

Particulars	As at March 31, 2024	As at March 31, 2023
a) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	45.28	21.32
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.	-	-
d) The amount of interest accrued and remaining unpaid at the end of each accounting year.	1.21	0.97
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.	-	-

Note 24

Other financial liabilities (current)

Particulars	As at March 31, 2024	As at March 31, 2023
Financial liabilities at amortised cost		
Employee related liabilities	28.27	26.74
Accrued expenses	124.89	148.52
Interest accrued but not due on borrowings	25.52	9.45
Creditors for capital goods	-	0.91
Total	178.68	185.62

Movement in Interest accrued but not due on borrowings and finance charge:

Particulars	As at March 31, 2024	As at March 31, 2023
Opening balance	9.45	-
Interest and finance charge accrued during the year	215.13	57.75
Payment of interest and finance charge during the year	(199.06)	(48.30)
Closing balance	25.52	9.45

Note 25

Current Provisions

Particulars	As at March 31, 2024	As at March 31, 2023
Provision for gratuity (refer note 38)	0.03	0.07
Provision for compensated absences	1.87	4.40
Total	1.90	4.47



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 26

Contract Liabilities

Particulars	As at March 31, 2024	As at March 31, 2023
Advance from customers	1.98	2.18
Total	1.98	2.18

Note 27

Other current liabilities

Particulars	As at March 31, 2024	As at March 31, 2023
Statutory dues	10.58	12.06
Total	10.58	12.06



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 28

Revenue from operations

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
A. Sale of products	3,489.76	1,567.29
B. Sale of service		
Banner advertisement income	115.88	57.67
Total	3,605.64	1,624.96
Within India	3,605.64	1,624.96
Outside India	-	-
Total	3,605.64	1,624.96

(A) Disaggregation of revenue from contracts with customers

The Company derives its major revenue from sale of products. The Company also derives revenue by providing advertisement services to its suppliers which is related to sale of products business.

(B) Contract balances

Particulars	As at March 31, 2024	As at March 31, 2023
Trade receivables (refer note 12)	123.12	213.72
Contract liabilities (refer note 26)	1.98	2.18

(C) Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price

Particulars	As at March 31, 2024	As at March 31, 2023
Contract price	3,605.44	1,627.14
Revenue recognised in the year from:		
Revenue recognized in the current year from contract liability:		
Advance from Customer	2.18	-
Revenue deferred in the current year towards unsatisfied performance obligation:		
Advance from customer (refer note 26)	(1.98)	(2.18)
Revenue from operations	3,605.64	1,624.96

Note 29

Other income

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
(a) Interest Income on financial assets measured at amortised cost:		
Security deposit	1.28	0.61
Income Tax Refund	0.07	-
(b) Other non-operating income:		
Gain on cancellation of lease	0.60	-
Total	1.95	0.61

Note 30

Purchase of traded goods

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Purchases of traded goods	3,228.83	1,881.54
Total	3,228.83	1,881.54



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 31

Changes in inventories of stock-in-trade

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Opening balance	481.82	-
Closing balance	481.81	481.82
Total	0.01	(481.82)

Note 32

Employee benefits expense

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Salaries, Wages and Bonus	352.54	335.52
Contribution to provident fund (Refer note 38)	3.58	3.13
Gratuity expenses (Refer note 38)	1.34	1.27
Compensated expenses	(1.16)	2.74
Share based expenses (Refer note 45)	2.76	0.30
Staff welfare expenses	2.99	2.54
Total	362.05	345.50

Note 33

Finance costs

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Interest expenses on:		
Borrowings	19.03	7.75
Lease liabilities	8.50	8.71
Inter-company borrowings	195.25	49.65
Commission on Financial Guarantee	2.25	0.94
Other interest charges	0.34	0.97
Other finance charge	0.51	0.35
Total	225.88	68.37

Note 34

Depreciation and amortisation expense

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Depreciation of Property, plant and equipment (Refer note 4)	39.19	18.88
Amortisation of Intangible assets (Refer note 5)	6.76	2.34
Depreciation of Right of use assets (Refer note 6)	53.56	35.91
Total	99.51	57.13



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 35

Other expenses

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Marketing and advertisement expense	4.39	4.46
Business development executive expense	569.44	369.24
Legal and professional fees	8.00	6.68
Web and technology expenses	38.10	10.21
Outsourced warehouse manpower cost	103.69	89.88
Freight expenses	227.44	133.19
Payment gateway charges	7.13	1.81
Recruitment expenses	1.79	2.88
Packing material expense	43.19	56.09
Travelling and conveyance expenses	27.49	20.02
Allowance for expected credit loss	9.86	11.13
Communication expenses	3.21	1.76
Rates and taxes	15.41	6.01
Insurance expenses	2.44	0.45
Rent and maintenance expenses	69.48	28.21
Brand usage fee	36.74	15.80
Repairs and maintenance - others	0.38	0.01
Security expenses	11.06	5.64
Electricity charges	3.85	1.66
Selling expenses	28.15	7.40
Bank charges	-	0.21
Auditors remuneration :		
Audit fees	1.83	1.45
Taxation matters	0.30	0.10
Miscellaneous expenses	11.65	7.26
Total	1,225.02	781.55



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 36

Earnings per share

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Nominal value of per equity share	10/-	10/-
Profit/ (Loss) after tax attributable to equity shareholders (A)	(1,142.31)	(768.52)
Total number of shares outstanding during the year (nos.)	10,000	10,000
Weighted average number of equity shares outstanding during the year (B) (nos.)	10,000	10,000
Weighted average number of diluted equity shares (C)	10,000	10,000
Basic earnings per share (A/B)	(1,14,231.00)	(76,852.00)
Diluted earnings per share (A/C)	(1,14,231.00)	(76,852.00)

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 1.5 to 4.5 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.

Refer note 6 for carrying value of right of use assets.

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

Particulars	As at 31 March 2024	As at 31 March 2023
Opening balance	113.50	-
Addition	10.61	139.66
Accretion of interest	8.50	8.71
Deletion due to closure	(9.20)	-
Payments	(61.06)	(34.87)
Closing balance	62.35	113.50
Current	37.14	55.07
Non-current	25.21	58.43

The effective interest rate for lease liabilities as at March 31, 2024 ranges between 10.5% to 10.65% (March 31, 2023: 10.5% to 10.65%)

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

The following are the amounts recognised in Statement of Profit and Loss:

Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
Depreciation expenses of right of use assets	53.56	35.91
Interest expenses on lease liabilities	8.50	8.71
Short term leases payments*	69.48	28.21
Total amount recognised in Statement of Profit and Loss	131.54	72.83

*includes maintenance charges



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 38

Employee Benefits

I) Defined Contribution Plan

During the year, the Company has made contribution/provision to provident fund stated under defined contribution plan amounting to ₹ 3.58 Mn (March 31, 2023: ₹ 3.13 Mn) 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 amounts recognised in the Company's financial statements

i. Amount recognised in the Balance Sheet

Particulars	As at March 31, 2024	As at March 31, 2023
Amount to be recognised in balance sheet		
Present value of defined benefit obligation	1.87	1.97
Less: Fair value of plan assets	-	-
Funded status – deficit / (surplus)	1.87	1.97
Net liability recognised in balance sheet	1.87	1.97
Non current	1.84	1.90
Current	0.03	0.07
Net liability recognised in balance sheet	1.87	1.97

ii. Changes in the present value of defined benefit obligation

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Reconciliation of Defined Benefit Obligation		
Opening defined benefit obligation	1.97	1.76
Current service cost	1.20	1.17
Interest cost	0.14	0.09
Actuarial (Gain)/Loss in obligation for year ended due to changes in financial assumptions	0.05	(0.10)
Actuarial (Gain)/Loss in obligation for year ended due to changes in demographic assumptions	(0.11)	(0.58)
Actuarial (Gain)/Loss in obligation for year ended due to changes in experience adjustments	(1.34)	0.55
Benefit paid	(0.04)	(0.92)
Closing defined benefit obligations	1.87	1.97

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

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Current service cost	1.20	1.17
Interest expenses	0.14	0.10
Amount recognised in Statement of Profit and Loss	1.34	1.27
Actuarial (gain)/loss in obligation for year ended due to changes in financial assumptions	0.05	(0.10)
Actuarial (gain)/loss in obligation for year ended due to changes in demographic assumptions	(0.11)	(0.58)
Actuarial (gain)/loss in obligation for year ended due to changes in experience adjustments	(1.34)	0.54
Amount recognised in Other Comprehensive Income (OCI)	(1.40)	(0.14)



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

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

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Mortality Table	IALM (2012-14)	IALM (2012-14)
Discount rate:	7.10%	7.20%
Future salary increases*	7.00%	8% until year 1 then 6.50%
Withdrawal rates	37% for managers and above 38% for frontline staff IALM (2012-14)	28% for managers and above 39% for frontline staff IALM (2012-14)
IALM - Indian Assured Lives Mortality (Ultimate)		

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.

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

Particulars	As at March 31, 2024	As at March 31, 2023
Within the next 12 months (next annual reporting period)	0.03	0.07
Between 2 and 5 years	1.73	1.49
Between 6 and 9 years	0.68	0.95
10 & Above following years	0.16	0.41
Total expected payments	2.60	2.92

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 4.30 years (March 31, 2023: 5.04 years).

D. Sensitivity analysis

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

Particulars	As at March 31, 2024	As at March 31, 2023
Discount rate (-/+ 1%)		
Decrease by 100 basis points	0.09	0.10
Increase by 100 basis points	(0.07)	(0.10)
Future salary increase (-/+ 1%)		
Decrease by 100 basis points	(0.07)	(0.10)
Increase by 100 basis points	0.09	0.10

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.

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

(b) **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.

(c) **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.



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 39

Related party transactions

A. Names of the related parties

Names of related parties

Relationship	Name of entity
Holding company	FSN E-Commerce Ventures Limited
Fellow subsidiary*	FSN Brands Marketing Private Limited Nykaa E-Retail Limited (formerly known as Nykaa E-Retail Private Limited) FSN International Limited (formerly known as FSN International Private Limited) Nykaa Fashion Limited (formerly known as Nykaa Fashion Private Limited) Nykaa Foundation Dot & Key Wellness Private Limited
Directors and Key Management Personnel (KMP) #	Sanjay Nayar -- Director P Ganesh -- Director w.e.f. March 30, 2023 Vishal Gupta -- Director w.e.f. March 30, 2023 Surender Mehta -- Director w.e.f. March 30, 2023 Arvind Agrawal -- Director till November 25, 2022 Vikas Gupta -- Director till March 31, 2023

*where transactions have occurred during current or previous year.

no transactions occurred during the current or previous year

B. Transactions with Related party

Particulars	Nature of transactions	Transactions during FY 2023-24	Balance as at March 31, 2024	Transactions during FY 2022-23	Balance as at March 31, 2023
Holding Company					
FSN E-Commerce Ventures Limited	Interest expenses	195.25	(61.52)	49.56	-
	Purchase	30.39	-	26.67	-
	Discount income	(4.21)	-	(3.61)	-
	Marketing income	(8.41)	-	(7.23)	-
	Brand usage fee	36.74	-	15.80	-
	Commission- Financial Guarantee	2.25	-	0.94	-
	Reimbursement of expenses	128.66	-	107.69	(208.32)
	Share based payment expense	2.76	-	0.30	-
	Equity contribution	-	(2.76)	-	-
	Loan taken (net)	1,705.11	(3,192.31)	(1,437.45)	(1,487.20)
Fellow Subsidiary					
FSN Brands Marketing Private Limited	Purchase	50.09	-	197.23	-
	Discount income	(3.98)	0.16	(6.86)	118.85
	Beauty advisory	-	-	(1.87)	-
	Marketing income	(3.96)	-	(14.30)	-
	Reimbursement of expenses	0.48	-	12.17	-
Fellow Subsidiary					
Nykaa E Retail Limited (formerly known as Nykaa E Retail Private Limited)	Rent expense	27.56	(28.24)	17.00	(7.44)
	Sales	(19.01)	-	(5.10)	-
	Notional Interest cost on lease liability	3.25	-	2.62	-
	Lease liability	-	(24.52)	-	(38.58)
	Purchase	-	-	3.98	-
	Discount income	-	-	(2.02)	-
	Marketing income	(0.16)	-	(8.14)	-
	Purchase of intangible asset	28.68	-	11.98	-
	Reimbursement of expenses	18.79	-	-	-
Fellow Subsidiary					
FSN International Limited (formerly known as FSN International Private Limited)	Reimbursement of expenses	-	-	1.56	-
Fellow Subsidiary					
Nykaa Fashion Limited (formerly known as Nykaa Fashion Private Limited)	Rent Income	(2.52)	3.33	-	-
Fellow Subsidiary					
Nykaa Foundation	Investment*	-	-	0.00*	-
Fellow Subsidiary					
Dot & Key Wellness Private Limited	Purchase	46.02	-	19.81	(2.71)
	Discount Income	(5.07)	-	0.00	-
	Marketing income	(9.50)	14.39	(5.09)	-

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

The Company does not have any other transactions with key managerial persons other than that is disclosed above.

Terms and conditions of transactions with related parties

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



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 40

Commitments and contingent liabilities

Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Nil as at 31 March 2024 (March 31, 2023, ₹ 0.05 Mn).

Contingent liabilities (not provided for)

The Company does not have any contingent liabilities.

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.in India.

No single external customer (other than related party) 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, working capital loan borrowing and other financial liabilities are reasonable approximation of their fair values due to the short maturities of these instruments. The Company does not have any financial assets and financial liabilities carried at fair value through profit and loss ('FVTPL') and fair value through other comprehensive income. There are no financial assets and liabilities that are required to be disclosed in level 1 and level 2.

Fair value of Financial Assets and Financial Liabilities

Particulars	Carrying value March 31, 2024	Carrying value March 31, 2023
Financial Assets:		
Amortised cost		
Trade receivables	123.12	213.72
Cash and cash equivalents	1.11	1.30
Other financial assets	95.32	57.23
	219.55	272.25
Financial Liabilities:		
Amortised cost		
Borrowings	3,477.99	1,717.11
Lease Liabilities	62.35	113.50
Trade payables	353.52	388.08
Other financial liabilities	178.68	185.62
	4,072.54	2,404.31

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.



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 43

Financial Risk Management Objectives and Policies

The Company's principal financial liabilities comprise borrowings from banks and 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 assets 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:

A) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly comprises currency risk, product price risk and interest 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, 2024 and March 31, 2023.

i) 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. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Interest rate risk

Particulars	Increase / decrease	Effect on profit before
March 31, 2024	+50	(17.39)
	-50	17.39
March 31, 2023	+50	(8.59)
	-50	8.59

ii) Foreign currency risk

The Company does not have any foreign currency risk exposure as on March 31, 2024. (March 31, 2023- Nil)

iii) 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.

B) Credit risk

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

i) 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 has 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 covered by the company. (Refer accounting policy 2C(g)(i) for expected credit loss on trade receivable).

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Movement in allowances for expected credit loss:

Particulars	As at March 31, 2024	As at March 31, 2023
Opening balance	11.13	-
Provision made during the year	9.86	11.13
Closing balance	20.99	11.13



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

ii) 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.

iii) 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.

C) Liquidity risk

Liquidity risk is a risk that the Company may not be able to meet its financial obligations on a timely basis through its cash and cash equivalents, and funds available by way of committed credit facilities from banks. Management manages the liquidity risk by monitoring rolling cash flow forecasts and maturity profiles of financial assets and liabilities. This monitoring includes financial ratios and takes into account the accessibility of cash and cash equivalents and additional

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, 2024					
Borrowings	3,477.99	627.99	2,850.00	-	3,477.99
Trade payables	353.52	353.52	-	-	353.52
Other financial liabilities	178.68	178.68	-	-	178.68
Lease liabilities	62.35	45.12	22.17	-	67.29
Total	4,072.54	1,205.31	2,872.17	-	4,077.48

Particulars	Carrying value	Less than 1 year	1 to 5 years	> 5 years	Total
As at March 31, 2023					
Borrowings	1,717.11	1,467.11	250.00	-	1,717.11
Trade payables	388.07	388.07	-	-	388.07
Other financial liabilities	185.62	185.62	-	-	185.62
Lease liabilities	113.50	63.83	62.13	-	125.96
Total	2,404.30	2,104.63	312.13	-	2,416.76

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 considers the amount of capital in proportion to risk and manages the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary, adjust its capital structure.

Particulars	As at March 31, 2024	As at March 31, 2023
Gross debt	3,477.99	1,717.11
Less: Cash and cash equivalents	(1.11)	(1.30)
Net debt (A)	3,476.88	1,715.81
Equity	(1,954.78)	(816.29)
Preference share capital	-	-
Total Equity (B)	(1,954.78)	(816.29)
Net gearing ratio (A)/(B)	(1.78)	(2.10)

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2024 and March 31, 2023.



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 45

Share based payments

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 ₹ 2.76 Mn (March 31, 2023: ₹ 0.30 Mn) arising from equity settled share based payment transactions for employee services received during the year.

As at the end of the given period, details and movements of the outstanding options are as follows:

Options granted under ESOS 2017

	As at March 31, 2024	As at March 31, 2023 **
Options outstanding at the beginning of the year	10,800	-
Options granted during the year	2,35,000	10,800
Options forfeited during the year	(5,820)	-
Options expired/lapsed during the year	(1,380)	-
Options exercised during the year	-	-
Options outstanding at the end of the year	2,38,600	10,800
For options outstanding at the end of the year:		
Exercise price range	₹ 141.41 - 168.21	₹ 226.33
Weighted average remaining contractual life (in years)	6.35	5.68

Fair value of options granted

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

ESOS 2017

Particulars	Tranche I	Tranche II	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	1.97	2.73-2.74	3.45-3.46	4.12-4.46
Risk free interest rate (%)	6.67% to 6.77%	6.69% to 6.81%	6.70% to 6.83%	6.71% to 6.85%
Volatility (%)	40% to 45%	45%	45%	45%
Market price on date of grant	149.1 - 161.4			
Fair Value	43.24 - 47.89	55.13 - 56.46	62.94 - 63.4	69.4 - 71.68

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

The weighted average share price at the date of exercise of options exercised during the year was ₹ 151 (March, 2023 ₹ 188)

**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 ₹ 1 each for every 1 (one) fully paid-up equity share held as on the record date.

Expenses arising from share-based payment transactions

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

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Stock based compensation expense determined under fair value method recognised in statement of profit or loss	2.76	0.30



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 46
Ratios

SN.	Ratio	Numerator	Denominator	FY 23-24	FY 22-23	% change	Reasons for more than 25%
1	Current ratio	Current assets	Current liabilities	1.00	0.48	107%	Improvement on account of reduction in current liabilities
2	Debt equity ratio	Long term debt	Shareholder's equity	(1.46)	(0.31)	376%	Increase in Long term Borrowings
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	3.09	7.55	-59%	Increase in Borrowings
4	Return on equity ratio	Net Loss for the year	Average Shareholder's Equity	82.4%	178%	-95%	Increase in Losses
5	Inventory turnover ratio	Cost of goods sold	Average Inventory	6.52	5.63	16%	
6	Trade receivable turnover ratio	Net credit sales = Gross credit sales - sales return	Average Trade Receivable	1.00	15.21	-93%	On account of Increase in Sales
7	Trade payable turnover ratio	Net credit purchases = Gross credit purchases - purchase return	Average Trade Payables	8.71	9.48	-8%	
8	Net capital turnover ratio	Net sales = Total sales - sales return	Working capital = Current assets - Current liabilities	4,622.62	(1.49)	-311191%	Improvement on account of reduction in current liabilities
9	Net profit ratio	Net Loss for the year	Net sales = Total sales - sales return	-32%	-47%	16%	
10	Return on capital employed	Earnings before interest and taxes	Capital Employed = Tangible Net Worth + Total Debt	-89%	-109%	20%	

Note 47

Demerger of eB2B business from FSN Distribution Limited to Nykaa E-Retail Limited

The Board of Directors at their meeting held on February 1, 2024 approved the de-merger of eB2B business from FSN Distribution Limited to Nykaa E-Retail Limited. Subsequent to balance sheet date, the Company has filed the scheme with National Company Law Tribunal.

Note 48

Audit Trail

The Company has used accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software, except that audit trail feature is not enabled at the database level and master fields as it relates to accounting software used for maintaining general ledger. The said feature was enabled at master data level from January 31, 2024.

Further, the Company uses certain other applications that support the recording of Revenue, Inventory and Purchase (hereinafter referred to as 'supporting softwares'), wherein, the audit trail feature is fully enabled through the year at application level for all transactions except that audit trail feature is not enabled at the database level as it relates to these application.

The Company also uses third-party operated software for processing payroll. Management has obtained the report of Service Organisation Controls (SOC) auditors engaged by such third party which does not mention whether the audit trail feature of the said software was enabled and operated throughout the year for all relevant transactions recorded in the software or whether there were any instances of the audit trail feature being tampered with.

(This space has been intentionally left blank)



FSN Distribution Limited (formerly known as FSN Distribution Private Limited)
(Amounts in ₹ Million, except per share data and unless stated otherwise)

Notes to Financial Statements as at and for the year ended March 31, 2024

Note 49

Other Statutory Information

- i) The Company does not have any transactions with companies struck off.
- ii) The Company does not have any charge or satisfaction which is yet to be registered with ROC beyond the statutory period.
- iii) The Company has not traded or invested in Crypto currency or Virtual currency during the financial year.
- 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.
- vii) There are no proceedings initiated or pending against the Company under Benami Property held under Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made there under.
- viii) The Company is not declared wilful defaulter by any Bank, Financial Institution or other lender.
- ix) There are no title deeds of immovable properties which not held in name of the Company.

Note 50

The Company has regrouped and reclassified previous year figures to confirm to current year classification and presentation.

As per our report of even date

For V. C. Shah & Co.

Chartered Accountants

ICAI Firm Registration No: 109818W

per Viral J. Shah

Partner

Membership No: 110120



As per our report of even date

For S. R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration No: 101049W/E300004

per Nilangshu Katriar

Partner

Membership No: 058814



Place: Mumbai

Date:

For and on behalf of Board of Directors of
FSN Distribution Limited

P Ganesh

Director

DIN No. 07202923

Vishal Gupta

Director

DIN No. 10048743

Place: Mumbai

Date:

Place: Mumbai

Date:

