V C SHAH & CO
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members` of Nykaa-KK Beauty Private Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Nykaa-KK Beauty Private Limited** ("the Company"), which comprise the Balance Sheet as at 31st March 2026, and the Statement of Profit & Loss including Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and notes to the financial statements including a summary of the 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 Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2026 and its profit including other comprehensive income, its cash flows and 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 ("SA"s) 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 ("ICAI") together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us 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 Board's Report (including annexures thereto) but does not include the Financial Statements and our auditor's report thereon.

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

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



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

Responsibilities of management and those charged with governance 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 accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 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 and Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's 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 system 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 the management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal financial 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 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, based on our audit 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 Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

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d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

e) On the basis of the written representations received from the directors as on March 31, 2026 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2026 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**" wherein we have expressed an unmodified opinion.

g) The observation relating to the maintenance of accounts and other matters connected therewith are as stated in paragraph 2(b) above on reporting under Section 143(3)(b) and paragraph 2(i)(vi) below on reporting under Rule 11(g).

h) The Company is a Private Limited Company as per the Act. The requirement of Payment of managerial remuneration as per section 197 read with Schedule V of the Act is not applicable.

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 has no pending litigations as at March 31, 2026 except as reported in clause (vii)(b) of paragraph 3 of the Companies (Auditor's Report), 2020.

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, as disclosed in Note 50 of the financial statements, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, 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 Note 50 of the financial statements, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, 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.

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(c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v. The Company has not declared nor paid any dividend during the year. Hence reporting the compliance with section 123 of the Act is not applicable.

vi. Based on our examination, which included test checks, and for the matters as described below, 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 as described in Note 48 to the financial statements.

i. In respect of the legacy accounting software, the audit trail facility was enabled for relevant transactions recorded in the software except that audit trail feature is not enabled at the database level and certain users have access to make direct changes which are not logged at application layer.

ii. In respect of new accounting software implemented from January 01, 2026 –
(a). the audit trail facility is enabled at the application layer, however certain users have access to make direct changes which are not logged. Further, for database layer, the Service organization Controls ("SOC") report covering the period up to December 31, 2025 along with a bridge letter for the balance period during the year issued by ERP service provider does not explicitly mention if the audit trail controls were enabled or not at the database layer.

iii. (a). In respect of one supporting software (which was implemented w.e.f. January 01, 2026) wherein the audit trail(edit log) facility was not enabled through the period.

(b). For other supporting software audit trail feature was enabled at database layer from October 01, 2025 for all the relevant transactions recorded in the softwares, and was not enabled accurately for certain transactions at the application layer.

iv. The Company also uses a third-party operated software for processing payroll as mentioned in Note 48 and has obtained the report of Service Organisation Controls (SOC) report upto December 31, 2025 along with the bridge letter for the balance period which mentions that 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.



Further during the course of our Audit, we did not come across any instance of audit trail feature being tampered with for the respective period stated above and the audit trail has been preserved by the company as per the statutory requirements for record retention to the extent it was available in the respective systems.

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





Viral J. Shah
Partner
Membership No: 110120
UDIN: 26110120NSUTBW5583
Place: Mumbai
Date: May 05, 2026

Annexure - A to the Independent Auditors' Report

Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of even date to the members of Nykaa-KK Beauty Private Limited on the financial statements for the year ended March 31, 2026.

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

i. In respect of the Company's Property, Plant and Equipment and Intangible Assets:

(a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.

(B) The Company has maintained proper records showing full particulars of Intangible Assets.

(b) The Company has a regular program of physical verification of its Property, Plant and Equipment by which all the assets are verified in a phased manner over a period of three years. In our opinion, periodicity of physical verification is reasonable having regards to the size of the Company and the nature of its assets. Pursuant to the program, certain Property, Plant and Equipment were physically verified during the year. According to the information and explanations provided to us, no material discrepancies were noticed on such verification.

(c) The company does not own any immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee). Hence, reporting under clause (i)(c) of paragraph 3 of the Order is not applicable to the Company.

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

(e) As represented by the Management, no proceedings have been initiated during the year or are pending against the Company as at March 31, 2026 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (as amended in 2016) and rules made thereunder. Hence, reporting under clause (i)(e) of paragraph 3 of the Order is not applicable to the Company.

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

(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 during the year, from banks or financial institutions on the basis of security of current assets of the Company. Based on the records examined by us in the normal course of audit of the financial statements, the quarterly returns/statements filed by the Company with such banks are in agreement with the books of account of the Company.

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 .Hence, the requirement to report on clause (iii)(a) of paragraph 3 of the order is not applicable to the Company.

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(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 (ii)(b) of paragraph 3 of the order is not applicable.

(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 (iii)(c) of paragraph 3 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 (iii)(d) of paragraph 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 (iii)(e) of paragraph 3 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, partnerships, or any other parties. Accordingly, the requirement to report on clause (iii)(f) of paragraph 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 are applicable and accordingly, the requirement to report on clause (iv) of paragraph 3 of the Order is not applicable to the Company.

(v) According to the information and explanation given to us, the Company has not accepted any deposits or amounts which are deemed to be deposits within the meaning of the Act and the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder. Accordingly, the requirement to report on clause (v) of paragraph 3 of the Order are not applicable to the Company.

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

(vii) In respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Service Tax, duty of Customs, duty of Excise, Value Added Tax, cess, Goods and Services Tax and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us and based on audit procedures performed by us, no undisputed amounts payable in respect of statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(b) According to the information and explanations provided to us, there are dues of Income tax or Sales Tax, or Service Tax or Goods and Service Tax or duty of Customs or duty of Excise or Value added tax which have not been deposited by the Company n account of disputes are as follows.:



(₹ in million)

Name of the statue	Nature of the dues	Amount(₹)	Period to which the amount relates	Forum where the dispute is pending	Remarks, if any
1. Central Goods and Service Tax, 2017.	Goods and Service Tax.	3.83	FY 2020-21	Assistant Commissioner of Income Tax.	-
2. Central Goods and Service Tax, 2017.	Goods and Service Tax.	3.06	FY 2021-22	Deputy Commissioner of State Tax.	-

(viii) According to information and explanations given to us, the Company has not surrendered or disclosed any unrecorded transaction as income during the year in the tax assessments under the Income Tax Act, 1961. Accordingly, the requirement to report on clause (viii) of paragraph 3 of the Order are 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. Hence, reporting under clause (ix)(a) of paragraph 3 of the Order is not applicable.

(b) The Company has not been declared wilful defaulter by any bank or financial Institution or government or any government authority.

(c) According to the information given to us and based on the audit procedures performed by us, there are no term loan outstanding at the year end. The Company did not have any term loans outstanding during the year hence, the requirement to report on clause (ix)(c) of paragraph 3 of the Order is not applicable to the Company.

(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) and 3(x)(f) are 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 (x)(a) of paragraph 3 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) To the best of our knowledge and according to the information and explanations provided to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year. Hence, reporting under clause (xi)(a) of paragraph 3 of the Order is not applicable.

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(b) During the year, no report under sub-section (12) of section 143 of the Companies Act 2013 has been filed by 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) Establishment of vigil mechanism is not mandated for the Company as required under section 177 of the Act. As represented to us by the management, there are no whistleblower complaints received by the Company during the year under the vigil mechanism established by the parent company for the group.

(xii) The Company is not a Nidhi Company as per provisions of the Companies Act, 2013. Accordingly, the requirement to report on clause 3(xii)(a), 3(xii)(b) and 3(xii)(c) of the Order are not applicable to the Company.

(xiii) Transactions with the related parties are in compliance with section 188 of the Companies Act, 2013 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 under clause (xiii) of paragraph 3 of the Order in so far as it relates to section 177 of the Act is not applicable to the Company.

(xiv) (a) In our opinion and according to the information and explanation provided to us, internal audit is not applicable to the Company as per section 138 of the Act. Hence clause (xiv) (a) and (b) of paragraph 3 of the Order is not applicable.

(xv) The Company has not entered into any non-cash transactions with its directors or persons connected with its directors as per Section 192 of the act. and hence requirement to report on clause (xv) of paragraph 3 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 are not applicable to the Company. Accordingly, the requirement to report on clause (xvi)(a) of paragraph 3 of the Order is not applicable to the Company.

(b) The Company is not engaged in any Non-Banking Financial or Housing Finance Activities. Accordingly, the requirement to report on clause (xvi)(b) of paragraph 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 (xvi)(c) of paragraph 3 of the Order is not applicable to the Company.

(d) There is no Core Investment Company as part of the Group, hence the requirement to report on clause (xvi)(d) of paragraph 3 of the Order is not applicable to the Company.

(xvii) The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

(xviii) There has been no resignation of the statutory auditors during the year. Hence, reporting under clause (xviii) of paragraph 3 of the order is not applicable.

(xix) On the basis of the financial ratios disclosed in Note 47, 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 exist 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) In respect of other than ongoing projects, there are no unspent amounts that are required to a fund specified in Schedule VII of the Companies Act 2013, in compliance with second provision to sub section 5 of section 135 of the Act. This matter has been disclosed in note 49 to the financial statements.

(b) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance of provision of sub section (6) of section 135 of Companies Act 2013. This matter has been disclosed in note 49 to the financial Statements.

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





Viral J. Shah
Partner
Membership No: 110120
UDIN: 26110120NSUTBW5583
Place: Mumbai
Date: May 05, 2026

Annexure - B to the Independent Auditors' Report

(Referred to in paragraph 2(g) under 'Report on other legal and regulatory requirements' section of our report of even date)

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

We have audited the internal financial controls with reference to financial statements of Nykaa-KK Beauty Private Limited (the "Company") as of March 31, 2026 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 and Board of Directors are responsible for establishing and maintaining internal financial controls with reference to financial statements based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such controls, 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 auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls Over Financial Statements

A company's internal financial control 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

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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 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 control with reference to financial statements 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, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system with reference to financial and such internal financial controls over financial reporting were operating effectively as at March 31, 2026 based on the criteria for internal financial control with reference to financial statements 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 ICAI.

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



Viral J. Shah
Partner
Membership No: 110120
UDIN: 26110120NSUTBW5583
Place: Mumbai
Date: May 05, 2026

Nykaa-KK Beauty Private Limited
(Amounts in ₹ millions, unless stated otherwise)

Balance sheet as at March 31, 2026

Particulars	Notes	As at March 31, 2026	As at March 31, 2025
Assets			
Non-current assets			
Property, plant and equipment	4	97.38	69.21
Intangible assets	5	-	-
Right of use assets	6	7.79	13.87
Financial assets			
Investments	7	0.00	0.00
Other financial assets	8	-	50.00
Deferred tax assets (net)	9	22.58	6.00
Non-current tax assets		1.89	16.14
Other non-current assets	10	0.35	1.26
Total non-current assets (A)		**129.99**	**156.48**
Current assets			
Inventories	11	526.80	195.56
Financial assets			
Trade receivables	12	151.55	95.85
Cash and cash equivalents	13	122.85	17.22
Bank balance other than cash and cash equivalents	14	-	100.00
Other financial assets	15	54.30	2.24
Other current assets	16	172.95	108.78
Total current assets (B)		**1,028.45**	**519.65**
Total assets (A+B)		**1,158.44**	**676.13**
Equity and liabilities			
Equity			
Equity share capital	17	10.00	10.00
Other equity	18	567.64	349.21
Total equity (A)		**577.64**	**359.21**
Liabilities			
Non-current liabilities			
Financial liabilities			
Lease liabilities	19	0.49	7.64
Provisions	20	1.69	0.29
Total non-current liabilities (B)		**2.18**	**7.93**
Current liabilities			
Financial liabilities			
Borrowings	21	38.00	-
Lease liabilities	22	8.00	7.07
Trade payables	23		
-Total outstanding dues of micro enterprises and small enterprises		6.31	1.22
-Total outstanding dues of creditors other than micro enterprises and small enterprises		163.99	88.97
Other financial liabilities	24	333.36	197.30
Provisions	25	2.99	0.46
Contract liabilities	26	0.52	0.45
Other current liabilities	27	25.45	13.52
Total current liabilities (C)		**578.62**	**308.99**
Total liabilities (B+C)		**580.80**	**316.92**
Total equity and liabilities (A+B+C)		**1,158.44**	**676.13**

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

Place: Mumbai
Date: May 05, 2026

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

Vishal Gupta
Director
DIN 10048743

Place: Mumbai
Date: May 05, 2026

Jagdish Dargar
Director
DIN 00278065

Place: Kishangarh
Date: May 05, 2026

Nykaa-KK Beauty Private Limited
(Amounts in ₹ millions, except per share data and unless stated otherwise)

Statement of Profit and Loss for the year ended March 31, 2026

Particulars	Notes	For the year ended March 31, 2026	For the year ended March 31, 2025
Income			
Revenue from operations	28	2,116.49	1,317.64
Other income	29	15.81	6.26
Total income		**2,132.30**	**1,323.90**
Expenses			
Purchase of traded goods	30	999.84	493.25
Changes in inventories of finished goods and stock in trade	31	(331.23)	(85.17)
Employee benefits expense	32	124.55	75.55
Finance costs	33	12.81	10.83
Depreciation and amortisation expense	34	36.93	15.42
Other expenses	35	994.69	666.09
Total expenses		**1,837.59**	**1,175.97**
Profit before exceptional items and tax		**294.71**	**147.93**
Less: Exceptional items	36	2.72	-
Profit after exceptional items and before tax		**291.99**	**147.93**
Tax expense:			
Current tax	9	90.66	41.40
Deferred tax	9	(16.71)	(3.23)
Total tax expense		**73.95**	**38.17**
Profit after tax		**218.04**	**109.76**
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Remeasurement losses on defined benefit plans	39	0.52	(0.23)
Income tax effect on the above	9	(0.13)	0.06
Other Comprehensive income for the year (net of tax)		**0.39**	**(0.17)**
Total Comprehensive Income for the year		**218.43**	**109.59**
Earnings per share of face value ₹ 10/- each	37		
Basic		**218.04**	**109.76**
Diluted		**218.04**	**109.76**

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
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Membership No: 110120

Place: Mumbai
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Nykaa-KK Beauty Private Limited
(Amounts in ₹ millions, unless stated otherwise)

Statement of Cash Flows for the year ended March 31, 2026

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Cash flows from operating activities		
Net profit before tax as per Statement of Profit and Loss	**291.99**	**147.93**
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment and right-of-use assets	36.93	15.42
Interest expense and other finance costs	12.81	10.82
Provision for gratuity expense	3.69	0.03
Provision for compensated expense	0.34	0.19
Expected credit loss	0.12	(1.03)
Interest income	(10.61)	(4.69)
Unrealised loss on foreign exchange fluctuations (net)	1.47	1.57
Gain on Cancellation of Lease	(0.45)	-
Bad Debts Written off	1.12	-
Operating profit before working capital changes	**337.41**	**170.24**
Working capital adjustments:		
(Increase) / Decrease in trade receivables	(56.67)	3.38
(Increase) in inventories	(331.23)	(85.17)
(Increase) / Decrease in other current assets	(62.58)	42.07
(Increase) in other Non current assets	(0.35)	-
Increase in trade payables	77.44	25.65
Increase in provisions	0.41	0.18
Increase in financial liabilities and contract liabilities	137.45	51.54
Increase/ (Decrease) in other current liabilities	11.93	(11.45)
Net cash flow from operations	**113.81**	**196.44**
Payment of taxes (net of refunds)	(76.38)	(60.07)
Net cash flow from operating activities (A)	**37.43**	**136.37**
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(56.80)	(28.53)
Interest income on fixed deposit	8.71	2.36
Investment in bank deposits	100.00	100.00
Investments/(Proceeds) in long-term bank deposits	(0.16)	(50.00)
Net cash flows from investing activities (B)	**51.75**	**23.83**
Cash flows from financing activities		
Repayment of non-current borrowings (net)	-	(3.61)
Proceeds/(Repayment) of current borrowings (net)	38.00	(123.69)
Payment of interest on borrowings	(9.26)	(8.22)
Payment of commission on financial guarantees	(2.74)	(2.00)
Principal payment of lease liabilities	(8.25)	(4.67)
Interest expenses on lease liabilities	(1.30)	(0.79)
Net cash flows generated/(used in) financing activities (C)	**16.45**	**(142.98)**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**105.63**	**17.22**
Cash and cash equivalents at the beginning of the year	17.22	-
Cash and cash equivalents at the year end (refer note 13)	**122.85**	**17.22**

Note:
1. Non cash transactions relating to investing and financing activities (refer note 15, 24 and 38).
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 Flows.

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

Place: Mumbai
Date: May 05, 2026

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

Vishal Gupta
Director
DIN 10048743

Place: Mumbai
Date: May 05, 2026

Jagdish Dargar
Director
DIN 00278065

Place: Kishangarh
Date: May 05, 2026

Nykaa-KK Beauty Private Limited
(Amounts in ₹ millions, unless stated otherwise)

Statement of Changes in Equity for the year ended March 31, 2026

A. Equity share capital (refer note 17):

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

Particulars	No. of shares	Amount
As at April 01, 2024	**10,00,000**	**10.00**
Issued during the year	-	-
As at March 31, 2025	**10,00,000**	**10.00**
Issued during the year	-	-
As at March 31, 2026	**10,00,000**	**10.00**

B. Other Equity (refer note 18):

Particulars	Reserves & Surplus		Other comprehensive income (OCI)	Total other equity
	Capital Contribution from parent	Surplus in statement of profit and loss		
As at April 01, 2024	**11.67**	**227.89**	**0.06**	**239.62**
Net profit for the year	-	109.76	-	109.76
Other comprehensive income	-	-	(0.17)	(0.17)
Total comprehensive income	**-**	**109.76**	**(0.17)**	**109.59**
Share based payments (refer note 46)	1.21	-	-	1.21
Recharge by Holding Company	(1.21)	-	-	(1.21)
As at March 31, 2025	**11.67**	**337.65**	**(0.11)**	**349.21**
Net profit for the year	-	218.04	-	**218.04**
Other comprehensive income	-	-	0.39	**0.39**
Total comprehensive income	**-**	**218.04**	**0.39**	**218.43**
Share based payments (refer note 46)	0.91	-	-	0.91
Recharge by Holding Company	(0.91)	-	-	(0.91)
As at March 31, 2026	**11.67**	**555.69**	**0.28**	**567.64**

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

Place: Mumbai
Date: May 05, 2026

V C SHAH & CO CHARTERED ACCOUNTANTS

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

Vishal Gupta
Director
DIN 10048743

Place: Mumbai
Date: May 05, 2026

Jagdish Dargar
Director
DIN 00278065

Place: Kishangarh
Date: May 05, 2026

Nykaa-KK Beauty Pvt. Ltd.

Nykaa-KK Beauty Private Limited
Notes to the Financial Statements for the year ended March 31, 2026
(All amounts in ₹ Millions, except per share data and unless otherwise stated)

1. Corporate Information:

Nykaa-KK Beauty Private Limited (the 'Company') (CIN: U24290MH2018PTC311880) is a private Company incorporated on July 18, 2018 and domiciled in India. The Company is a subsidiary of FSN E-Commerce Ventures Limited. The registered office of the Company is located at 104 Vasan Udyog Bhavan, Sun Mill Compound, Tulsi Pipe Road, Lower Parel, Mumbai, Maharashtra, 400013.

The Company is engaged in the business of manufacturing, selling and distribution of Kay beauty products on the online platforms or websites such as e-commerce, m-commerce, internet as well as through physical stores, stalls, general trade and modern trade etc.

The separate financial statements for the year ended March 31, 2026 were approved by the Board of Directors and approved for issue on May 05, 2026.

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

2. Material Accounting Policies

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 from time to time and other relevant provisions of the Act.

ii) **Historical cost convention:**

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

- certain financial assets and liabilities (including derivative instruments)
- defined benefit plans – plan assets measured at fair value
- share-based payments.

iii) **New and Amended Standards Adopted by the Company**

The Ministry of Corporate Affairs has notified the Companies (Indian Accounting Standards) Amendment Rules, 2025, which amended certain accounting standards with effect from the date of notification. These amendments did not have a material impact on the amounts recognised in prior periods and are not expected to have a significant impact on the current or future reporting periods.

iv) New and amended standards issued but not effective

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

2B. Summary of material accounting policies:

a) Current versus non-current classification

The Company segregates assets and liabilities into current and non-current categories for presentation in the balance sheet after considering its normal operating cycle and other criteria set out in Ind AS 1, "Presentation of Financial Statements". For this purpose, current assets and liabilities include the current portion of non-current assets and liabilities respectively. Deferred tax assets and liabilities are always classified as non-current.

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Nykaa-KK Beauty Pvt. Ltd.

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 and equipment

Property, plant and 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 qualifying asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of property, plant and 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 and 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 and 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 and equipment	Useful lives (in years)
Plant and Machinery	8
Computers and Hardware	3
Furniture and Fixtures	10
Office Equipment	5
Leasehold improvements	Period of primary lease

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

c) 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 recognized, 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 group of assets. When the carrying amount

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Nykaa-KK Beauty Pvt. Ltd.

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 recognized in the Statement of Profit and Loss.
An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the assets or CGU's recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized 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.

d) Inventories

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

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

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

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

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





e) Leases

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

Company as a Lessee:

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

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

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

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

Right-of-use assets are depreciated on a straight-line basis over the lease term.
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

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Nykaa-KK Beauty Pvt. Ltd.

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.

f) 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.

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.

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Nykaa-KK Beauty Pvt. Ltd.

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.

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 though 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.

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.

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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.

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

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

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:

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Nykaa-KK Beauty Pvt. Ltd.

- 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. 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

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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.
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.

g) 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.

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

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

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.

h) Interest income

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

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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.

j) Foreign currency transactions

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

(iii) Exchange differences
Exchange differences arising on settlement or translation of other monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period/year, or reported in previous financial statements, are recognised as income or as expenses in the Statement of Profit and Loss in the period/year in which they arise.

k) Share based 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 Limited (the Holding Company). These shares vest equally over a period of 3 – 4 years. The Company does not have an obligation to settle the transaction with its employees. Therefore, the Company accounts for the transaction with its employees as equity settled and recognizes a corresponding increase in equity as contribution from Parent. The share-based payment expenses is recharged to the Company, which is adjusted against capital contribution by Holding Company.

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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 recognized is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognized 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.

I) 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 recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service.

ii. Defined Benefit Plans

Gratuity

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

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

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

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

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

Compensated absences

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

m) Borrowing cost

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

n) Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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- 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.

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

o) Income taxes

Tax expense comprises current and deferred tax.

Current income tax

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

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences 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 utilized, except:
- 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 re-assessed 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 reflect the effect of uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

p) 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.

q) 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.

r) 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.

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

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effect on the amount recognised in the financial statements and/or key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

I. Judgements:

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

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

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

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

The Company included the renewal period as part of the lease term for leases of property with shorter non-cancellable period (i.e., 3 to 5 years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on business if a replacement alternate property is not readily available. The renewal periods for leases of property with longer non-cancellable periods (i.e., 6 to 10 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

II. Estimates and assumptions:

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

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

b. 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

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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.

c. 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.

d. 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.

e. 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.

f. 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).

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Nykaa-KK Beauty Private Limited
(Amounts in ₹ millions, unless stated otherwise)
Notes to the financial statements as at and for the year ended March 31, 2026

Note 4
Property, plant and equipment

Particulars	Computer Equipment	Furniture and fixtures	Office equipment	Plant and machinery	Leasehold improvements	Total
Gross carrying amount						
As at April 01, 2024	**0.04**	**60.64**	**1.64**	**0.11**	**0.34**	**62.77**
Additions	-	28.02	0.97	-	0.25	29.24
Disposals/ transfers	-	(2.02)	(0.02)	(0.11)	0.00*	(2.15)
As at March 31, 2025	**0.04**	**86.64**	**2.59**	**-**	**0.59**	**89.86**
Additions	-	53.68	1.43		1.43	56.54
Disposals/ transfers	-	(23.05)	(0.04)		(0.03)	(23.12)
As at March 31, 2026	**0.04**	**117.27**	**3.98**	**-**	**1.99**	**123.28**
Accumulated depreciation						
As at April 01, 2024	**0.04**	**11.16**	**0.50**	**0.06**	**0.07**	**11.83**
Depreciation charge for the year	-	10.21	0.46	0.05	0.25	10.97
Disposals/adjustments	-	(2.02)	(0.02)	(0.11)	0.00*	(2.15)
As at March 31, 2025	**0.04**	**19.36**	**0.94**	**-**	**0.32**	**20.65**
Depreciation charge for the year	-	27.31	0.74		0.32	28.37
Disposals/adjustments	-	(23.05)	(0.04)		(0.03)	(23.12)
As at March 31, 2026	**0.04**	**23.62**	**1.64**	**-**	**0.61**	**25.90**
Net carrying amount						
As at March 31, 2026	**-**	**93.65**	**2.34**	**-**	**1.38**	**97.38**
As at March 31, 2025	**-**	**67.28**	**1.65**	**-**	**0.27**	**69.21**

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

Notes:

1. Movable assets have been pledged to secure borrowings of the Company (refer note 21).
2. Refer note 41 for capital commitments.

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Note 5
Intangible assets

Particulars	Business application development cost
Gross carrying amount	
As at April 01,2024	**1.13**
Additions	-
Disposals / adjustments	-
As at March 31,2025	**1.13**
Additions	-
Disposals / adjustments	-
As at March 31,2026	**1.13**
Accumulated amortisation	
As at April 01,2024	**1.13**
Amortisation charge for the year	-
Disposals/adjustments	-
As at March 31,2025	**1.13**
Amortisation charge for the year	-
Disposals/adjustments	-
As at March 31,2026	**1.13**
Net carrying amount	
As at March 31,2026	**-**
As at March 31,2025	**-**

Note:
1. Refer note 41 for capital commitments.

Note 6
Right of use assets

Particulars	Buildings
Gross carrying amount	
As at April 01, 2024	**22.56**
Additions	11.75
Disposals / adjustments	(12.03)
As at April 01, 2025	**22.28**
Additions	4.27
Disposals / adjustments	(13.37)
As at March 31, 2026	**13.18**
Accumulated depreciation	
As at April 01, 2024	**15.99**
Depreciation charge for the year	4.45
Disposals / adjustments	(12.03)
As at April 01, 2025	**8.41**
Depreciation charge for the year	8.56
Disposals / adjustments	(11.58)
As at March 31, 2026	**5.39**
Net carrying amount	
As at March 31, 2026	**7.79**
As at March 31, 2025	**13.87**

Note:
1) Disposals include derecognition of ROU asset on cancellation of lease contract.

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Note 7
Non-current investments (unquoted)

Particulars	As at March 31, 2026	As at March 31, 2025
Investments in fellow subsidiary (unquoted, fully paid up)		
(A) Investments in equity instruments of fellow subsidiary (at cost)		
Nykaa Foundation 1 fully paid equity shares of ₹ 10 each(March 31, 2025: ₹ 1 fully paid equity shares of ₹10 each)	0.00*	0.00*
Total investments measured at cost	**0.00***	**0.00***

Particulars	As at March 31, 2026	As at March 31, 2025
Aggregate amount of unquoted investments	0.00*	0.00*
Aggregate amount of impairment in value of investments	-	-

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

Note 8
Other financial assets (non-current)

Particulars	As at March 31, 2026	As at March 31, 2025
Deposits with Financial Institution with maturity period more than twelve months	-	50.00
Total	**-**	**50.00**

Note 9
Income tax

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

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Current tax:		
In respect of current year	80.35	41.40
In respect of prior years	10.31	-
	90.66	**41.40**
Deferred tax:		
In respect of current year	(6.40)	(3.23)
In respect of prior years	(10.31)	-
	(16.71)	**(3.23)**
Income tax expense reported in the statement of profit and loss	**73.95**	**38.17**
Deferred tax related to items recognised in OCI during the year:		
Tax expense/(income) on remeasurement gain of defined benefit plans	0.13	(0.06)
Income tax expense (credited) / charged to OCI	**0.13**	**(0.06)**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2026 and March 31, 2025:

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Profit before tax	291.99	147.93
Applicable tax rate	25.17%	25.17%
Tax using the company's domestic tax rate	73.49	37.23
Tax effect of:		
`Corporate social responsibility	0.66	0.50
Others	(0.20)	0.44
Total tax expense	**73.95**	**38.17**
Current tax expense	90.66	41.40
Deferred tax expense	(16.71)	(3.23)
Tax expense recognized in the statement of profit and loss	**73.95**	**38.17**
Effective tax rate	**25.33%**	**25.80%**

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Reconciliation of average effective tax rate and applicable tax rate

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Profit before tax	291.99	147.93
Applicable tax rate	25.17%	25.17%
Tax effect of:		
Corporate social responsibility	0.23%	0.33%
Others	-0.07%	0.30%
Effective tax rate	**25.33%**	**25.80%**

Deferred tax:

Particulars	As at March 31, 2026	As at March 31, 2025
Deferred tax assets arising on account of		
Expenditure charged to the statement of profit or loss in the current year but allowed for tax purposes on payment basis	1.18	0.19
Timing difference between book depreciation and depreciation as per the Income-tax Act, 1961	7.10	1.34
Allowance for expected credit losses	0.30	0.11
Lease Liabilities	2.14	3.70
Others	13.82	4.15
Deferred tax assets (A)	**24.54**	**9.49**
Lease related assets	1.96	3.49
Timing difference between book depreciation and depreciation as per the Income-tax Act, 1961	-	-
Deferred tax liabilities (B)	**1.96**	**3.49**
Deferred tax assets (net) (C=A-B)	**22.58**	**6.00**

Reconciliation of deferred tax assets (net):

Particulars	As at March 31, 2026	As at March 31, 2025
Opening balance	**6.00**	**2.71**
Tax income recognised in statement of profit and loss for the year	16.71	3.23
Tax income recognised in OCI for the year	(0.13)	0.06
Closing balance	**22.58**	**6.00**

Note 10
Other non current assets

Particulars	As at March 31, 2026	As at March 31, 2025
Advance for capital goods	-	1.26
Balance with Government Authority	0.35	-
Total	**0.35**	**1.26**

Note 11
Inventories (valued at lower of cost or net realisable value)

Particulars	As at March 31, 2026	As at March 31, 2025
Stock-in-trade*(Net of Provisions)	526.80	195.56
Total	**526.80**	**195.56**
Provision for inventories taking into account various factors, including obsolescence of material, unserviceable items and ageing of material	18.49	15.10

Inventories have been pledged as security against certain bank borrowings, details relating to which has been described in note 21.
* includes goods in transit:
Stock-in-trade - As at March 31, 2026: ₹ 73.51 Mn (March 31, 2025: ₹ 26.34 Mn)

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Nykaa-KK Beauty Pvt. Ltd.

Note 12
Trade receivables

Particulars	As at March 31, 2026	As at March 31, 2025
Trade receivables - Unsecured, considered good	151.55	95.85
Trade receivables- Credit impaired	1.21	0.43
Less: Allowances for expected credit loss (refer note 44)	(1.21)	(0.43)
Total	**151.55**	**95.85**

For details of trade receivables with related party refer note 40.
No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person.

Trade receivables aging schedule

As at March 31, 2026

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	11.21	138.59	1.75	-	-	-	151.55
Undisputed Trade Receivables – credit impaired	-	0.31	0.90	-			1.21
Total	**11.21**	**138.90**	**2.65**	**-**	**-**	**-**	**152.76**

As at March 31, 2025

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	37.45	58.40	-	-	-	-	95.85
Undisputed Trade Receivables – credit impaired	-	0.19	0.08	-		0.16	0.43
Total	**37.45**	**58.59**	**0.08**	**-**	**-**	**0.16**	**96.28**

Note 13
Cash and cash equivalents

Particulars	As at March 31, 2026	As at March 31, 2025
Balances with banks in current accounts	17.85	17.22
Deposits with original maturity of less than three months		
- With Banks	105.00	-
Total	**122.85**	**17.22**

Note 14
Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2026	As at March 31, 2025
Deposits with original maturity of more than three months but less than twelve months		
- With Banks	-	100.00
Total	**-**	**100.00**

Note 15
Other financial assets (current)

Particulars	As at March 31, 2026	As at March 31, 2025
Financial asset at FVTPL:		
Mark-to-market derivative instrument	0.16	-
Deposits with FIs with maturity period more than twelve months*	54.10	-
Interest accrued on deposit but not due	0.04	2.24
Total	**54.30**	**2.24**

*Deposit amount included interest accrued amounting to Rs. 4.10 Mn (Original Deposit is Rs. 50 Mn)

Interest accrued on deposit but not due

Particulars	As at March 31, 2026	As at March 31, 2025
Opening balance	2.24	0.32
Interest accrued during the year	10.61	4.29
Receipt of interest during the year	(8.71)	(2.37)
Closing balance	**4.14**	**2.24**

Note 16
Other current assets

Particulars	As at March 31, 2026	As at March 31, 2025
Advances other than capital advances		
Advance to suppliers	118.94	68.24
Balance with statutory / government authorities	50.69	39.28
Prepaid expenses	3.32	1.26
Total	**172.95**	**108.78**

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(Amounts in ₹ millions, unless stated otherwise)
Notes to the financial statements as at and for the year ended March 31, 2026

Note 17
Equity share capital

i) Authorised share capital

Particulars	Equity Shares	
	Numbers	Amount
As at April 01, 2024	**10,00,000**	**10.00**
Increase / (decrease) during the year	-	-
As at March 31, 2025	**10,00,000**	**10.00**
Increase / (decrease) during the year	-	-
As at March 31, 2026	**10,00,000**	**10.00**

ii) Issued share capital
Equity shares of ₹ 10 each issued, subscribed and fully paid

Particulars	Equity shares	
	Numbers	Amount
As at April 01, 2024	**10,00,000**	**10.00**
Changes during the year	-	-
As at March 31, 2025	**10,00,000**	**10.00**
Changes during the year	-	-
As at March 31, 2026	**10,00,000**	**10.00**

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 dividends as and when the Company declares and pays dividend after obtaining shareholders' approval.

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

c) Shares held by Holding Company along with nominee shareholders:
Out of equity shares issued by the Company, shares held by its Holding Company is as below:

Particulars	As at March 31, 2026	As at March 31, 2025
FSN E-Commerce Ventures Limited (Holding Company) 5,10,000 (March 31, 2025: 5,10,000) equity shares of ₹ 10/- each	5.10	5.10

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

Name of the shareholder	As at March 31, 2026		As at March 31, 2025	
	No. of shares	% holding	No. of shares	% holding
FSN E-Commerce Ventures Limited (including nominee shares)	5,10,000	51.00%	5,10,000	51.00%
Katrina Kaif	4,15,000	41.50%	4,15,000	41.50%
Matrix India Entertainment Consultants Private Limited	75,000	7.50%	75,000	7.50%

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

e) Details of promoter shareholding

Name of the shareholder	As at March 31, 2026		As at March 31, 2025	
	No. of shares	% holding	No. of shares	% holding
FSN E-Commerce Ventures Limited (including nominee shares)	5,10,000	51.00%	5,10,000	51.00%

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(Amounts in ₹ millions, unless stated otherwise)
Notes to the financial statements as at and for the year ended March 31, 2026

Note 18
Other equity

(A) Other equity

Particulars	As at March 31, 2026	As at March 31, 2025
(i) Retained earnings		
Opening balance	337.65	227.89
Add: Profit during the year	218.04	109.76
Closing balance (A)	**555.69**	**337.65**
(ii) Other comprehensive income		
Opening balance	(0.11)	0.06
Add: Other comprehensive income for the year	0.39	(0.17)
Closing balance (B)	**0.28**	**(0.11)**
(iii) Capital contribution from Parent (equity component)		
Opening balance	11.67	11.67
Add : Additons/(Deletions) during the year	0.91	1.21
Less : Recharge by Holding Company	(0.91)	(1.21)
Closing balance (C)	**11.67**	**11.67**
Total (A+B+C)	**567.64**	**349.21**

Nature of reserves

(i) **Retained earnings:** Retained Earnings are the Profits / (Losses) that the Company has earned/ incurred till date, less any dividends or other distributions paid to shareholders.

(ii) **Other Comprehensive Income:** This represents the cumulative gains and losses arising on remeasurement of defined employee benefit plan.

(iii) **Contribution from parent company consists of:**

Share based payments: FSN E- Commerce Ventures Limited the Holding Company has extended its stock options program to selected employees of its subsidiaries,including the Company. 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 with corresponding increase in equity as contribution from Parent. The share-based payment expenses is recharged to the Company, which is adjusted against capital contribution by holding Company.

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Note 19
Lease liabilities (non current)

Particulars	As at March 31, 2026	As at March 31, 2025
Payable for lease liabilities (refer note 38)	0.49	7.64
Total	**0.49**	**7.64**

Note 20
Provision (Non-current)

Particulars	As at March 31, 2026	As at March 31, 2025
Provision for gratuity (refer note 39)	1.69	0.29
Total	**1.69**	**0.29**

Note 21
Borrowings (current)

Particulars	As at March 31, 2026	As at March 31, 2025
Secured		
Working capital loan from Banks	30.00	-
Unsecured		
Loan from Holding Company	8.00	-
Total	**38.00**	**-**

Refer note 44 for maturity profile of above loans

Notes:
i) Working Capital/cash credit facilities from Bank is secured by hypothecation of book debts, current assets and movable Property, plant and equipment both present and future.
ii) Loan is payable on demand. Interest payable on working capital loan is MCLR adjusted with the risk spread mutually agreed between the parties.
iii) Bank loan contain certain financial covenants and the Company has satisfied all covenants as per the terms of Bank loan.
iv) As at March 31, 2026, the Company had undrawn committed funded and non-funded borrowing facilities of ₹ 170.00 Mn (March 31, 2025: ₹ 200.00 Mn).
v) Quarterly statements of current assets filed by the Company with banks are in agreement with the audited/unaudited books of accounts.

Note 22
Lease liabilities (current)

Particulars	As at March 31, 2026	As at March 31, 2025
Payable for lease liabilities (refer note 38)	8.00	7.07
Total	**8.00**	**7.07**

Note 23
Trade payables

Particulars	As at March 31, 2026	As at March 31, 2025
Total outstanding dues of micro enterprises and small enterprises	6.31	1.22
Total outstanding dues of creditors other than micro	163.99	88.97
Total	**170.30**	**90.19**

Notes:
(i) Refer note 40 related party disclosures for trade payables to related parties.
(ii) Trade payables are generally non interest bearing.

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.

Particulars	As at March 31, 2026	As at March 31, 2025
a) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	6.31	1.22
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	0.15	0.10
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	-	-

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





Trade payables ageing schedule
As at March 31, 2026

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	1.06	5.25	-	-	-	6.31
Total outstanding dues of creditors other than micro enterprises and small enterprises	128.88	35.11	-	-	-	163.99
Total	**129.94**	**40.36**	**-**	**-**		**170.30**

As at March 31, 2025

Particulars	Current but not due	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
Total outstanding dues of micro enterprises and small enterprises	0.17	1.05	-	-	-	1.22
Total outstanding dues of creditors other than micro enterprises and small enterprises	51.66	37.31	-	-	-	88.97
Total	**51.83**	**38.36**	**-**	**-**	**-**	**90.19**

Note 24
Other financial liabilities (current)

Particulars	As at March 31, 2026	As at March 31, 2025
Financial Liabilities at amortised cost		
Employee related liabilities	14.57	7.08
Accrued expenses	317.87	187.86
Creditors for capital goods	0.72	2.23
Interest accrued but not due on borrowings	0.20	-
Financial liabilities at FVTPL		
Mark to market derivative instrument	-	0.13
Total	**333.36**	**197.30**

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

Particulars	As at March 31, 2026	As at March 31, 2025
Opening balance	-	0.29
Interest and finance charge accrued during the year	9.46	7.93
Payment of interest and finance charge during the year	(9.26)	(8.22)
Closing balance	**0.20**	**-**

Note 25
Provisions (Current)

Particulars	As at March 31, 2026	As at March 31, 2025
Provision for gratuity (refer note 39)	2.27	0.16
Provision for compensated absences	0.72	0.30
Total	**2.99**	**0.46**

Note 26
Contract liabilities

Particulars	As at March 31, 2026	As at March 31, 2025
Advance from customers	0.52	0.45
Total	**0.52**	**0.45**

Note 27
Other current liabilities

Particulars	As at March 31, 2026	As at March 31, 2025
Statutory dues	25.45	13.52
Total	**25.45**	**13.52**





Note 28
Revenue from operations

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
A. Sale of products	2,116.49	1,317.64
Total	**2,116.49**	**1,317.64**
Within India	2,116.49	1,317.64
Outside India	-	-
Total	**2,116.49**	**1,317.64**

(A) Disaggregation of revenue from contracts with customers

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

(B) Contract Balances

Particulars	As at March 31, 2026	As at March 31, 2025
Trade receivables	151.55	95.85
Contract liabilities	0.52	0.45

(C) Reconciliation between the contract price and revenue from contracts with customers

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Contract Price	**2,116.56**	**1,317.90**
Revenue recognised in the current year from contract liability:		
Advance from Customers	0.45	0.19
Revenue deferred in the current year towards unsatisfied performance obligation:		
Advance from Customers	(0.52)	(0.45)
Revenue from operations	**2,116.49**	**1,317.64**

Note 29
Other income

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Miscellaneous income	0.19	-
(a) Interest Income on financial assets at amortised costs		
Bank deposit	10.61	4.29
Income Tax refund	-	0.40
(b) Other non-operating income:		
Foreign exchange gain (net)	4.56	1.57
Gain on cancellation of lease	0.45	-
Total	**15.81**	**6.26**

Note 30
Purchase of traded goods

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Purchases of stock-in-trade	999.84	493.25
Total	**999.84**	**493.25**

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Note 31
Changes in inventories of finished goods and stock in trade

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Finished goods		
Opening balance	-	30.55
Closing balance	-	-
	-	**30.55**
Stock-in-trade		
Opening balance	195.57	79.84
Closing balance	526.80	195.56
	(331.23)	**(115.72)**
Total	**(331.23)**	**(85.17)**

Note 32
Employee benefits expense

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Salaries, wages and bonus	121.51	73.84
Contribution to provident fund	0.62	0.20
Gratuity expenses (refer note 39)	0.44	0.03
Compensated expenses	0.34	0.19
Share based payments (refer note 46)	0.91	1.21
Staff welfare expenses	0.73	0.08
Total	**124.55**	**75.55**

Note 33
Finance costs

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Interest expenses on borrowings	7.52	7.80
Interest expenses on lease liabilities (refer note 38)	1.30	0.79
Interest expenses on inter-company borrowings	1.59	-
Other interest charges	0.05	0.10
Commission on financial guarantee	2.00	2.00
Other finance charge	0.35	0.14
Total	**12.81**	**10.83**

Note 34
Depreciation and amortisation expense

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Depreciation of property, plant and equipment (refer note 4)	28.37	10.97
Depreciation of right-of-use assets (refer note 6)	8.56	4.45
Total	**36.93**	**15.42**

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Note 35
Other expenses

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Marketing and advertisement expenses	242.07	166.05
Beauty advisor expenses	193.19	131.70
Selling expenses	82.05	81.52
Legal and professional fees	7.15	5.91
Web and technology expenses	3.29	1.89
Outsource warehouse manpower cost	19.99	23.72
Freight expenses	48.74	15.06
Other administrative expense	18.74	3.70
Travelling and conveyance expenses	9.48	5.74
Rates and taxes	0.25	4.65
Insurance expenses	0.31	0.60
Rent and maintenance expenses	8.23	7.52
Brand usage fee	342.64	210.82
Director fees and commission	2.85	-
Repairs and maintenance - others	3.77	3.04
Product testing and development charges	6.37	1.71
Bank charges	0.58	0.46
Auditors remuneration :		
Audit fees	0.76	0.70
Taxation matters	0.34	0.28
Out of pocket expenses	0.05	0.08
Expected credit loss	0.12	(1.03)
Expenditure towards corporate social responsibility (CSR) activities (refer note 49)	2.60	1.97
Bad Debts written off	1.12	-
Total	**994.69**	**666.10**

Note 36
Exceptional Item

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Labour Code Impact	2.72	-
Total	**2.72**	**-**

On November 21, 2025, the Government of India notified four Labour Codes—the Code on Wages, 2019; the Industrial Relations Code, 2020; the Code on Social Security, 2020; and the Occupational Safety, Health and Working Conditions Code, 2020—thereby consolidating 29 existing labour laws. The Ministry of Labour & Employment subsequently issued draft Central Rules and FAQs to facilitate assessment of the financial impact arising from the regulatory changes.

The Company has evaluated and disclosed the impact of these changes based on the best information available, in line with the guidance issued by the Institute of Chartered Accountants of India. Considering the materiality and the regulatory-driven non-recurring nature of the impact, the Company has presented the impact of ₹ 2.72 Mn as "Statutory impact of new Labour Codes" under "Exceptional Items" in the financial statements for the year ended March 31, 2026.

The Company continues to monitor the finalization of Central and State Rules, as well as further clarifications from the Government, and will recognize appropriate accounting effects based on such developments, as and when required.

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Note 37
Earnings per share

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Nominal value of per equity share	10/-	10/-
Profit after tax (A)	**218.04**	**109.76**
Total number of shares outstanding during the year (nos.)	10,00,000.00	10,00,000
Weighted average number of equity shares outstanding during the year (B) (nos.)	10,00,000.00	10,00,000
Basic EPS = (A/B)	**218.04**	**109.76**
Dilutive effect on weighted average number of equity shares outstanding during the year (C)	-	-
Weighted average number of diluted equity shares (D=B+C)	10,00,000.00	10,00,000
Diluted EPS = (A/D)	**218.04**	**109.76**

Note 38
Leases
The Company as lessee

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

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

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 amounts of lease liabilities (included under lease liabilities) and the movements during the year:

Particulars	As at March 31, 2026	As at March 31, 2025
Opening balance	**14.71**	**7.62**
Addition	4.26	11.75
Accretion of interest	1.30	0.79
Deletion due to closure	(2.22)	-
Payments	(9.56)	(5.45)
Closing balance	**8.49**	**14.71**
Current	8.00	7.07
Non-current	0.49	7.64
Total	**8.49**	**14.71**

The maturity analysis of lease liabilities are disclosed in note 44.
The effective interest rate for lease liabilities as at March 31, 2026 ranges between 9.45% to 10.23% (March 31, 2025: 9.86% to 11.5%).
The following are the amounts recognized in statement of profit and loss:

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Depreciation expenses of right of use assets	8.56	4.45
Interest expenses on lease liabilities	1.30	0.79
Expenses relating to short term leases*	8.23	7.52
Total amount recognised in statement of profit and loss	**18.09**	**12.76**

*Includes common area maintenance charges.





Note 39

Defined Benefit Plan and Other Long Term Employee Benefit Plan:

I) Defined Contribution Plan

During the year, the Company has made contribution/provision to provident fund stated under defined contribution plan amounting to ₹ 0.62 Mn (March 31, 2025: ₹ 0.20 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 (including contractual employees). The gratuity benefits payable to employees are based on the employee's service and last drawn salary at the time of leaving. The Company has provided for gratuity based on actuarial valuation done as per projected unit credit method.

A. The following tables set out the funded status of the gratuity plans and the amounts recognised in the Company's financial statements:

i) Amount recognised in the Balance Sheet

Particulars	As at March 31, 2026	As at March 31, 2025
Amount to be recognised in balance sheet		
Present value of defined benefit obligation	3.96	0.45
Less: Fair value of plan assets	-	-
Funded status – deficit / (surplus)	3.96	0.45
Net liability recognised in balance sheet	**3.96**	**0.45**
Non Current	1.69	0.29
Current	2.27	0.16
Net liability recognised in balance sheet	**3.96**	**0.45**

ii) Changes in the present value of defined benefit obligation

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	0.45	0.11
Current service cost	0.77	0.02
Past service cost	2.86	-
Interest cost	0.06	0.01
Actuarial loss / (gain) in obligation due to changes in financial assumptions	(0.02)	0.01
Actuarial loss / (gain) in obligation due to changes in demographic assumptions	(0.09)	0.10
Actuarial loss in obligation due to changes in experience adjustments	(0.41)	0.12
Benefits paid	(0.15)	-
Liabilities assumed / (settled)	0.50	0.08
Closing defined benefit obligations	**3.97**	**0.45**

B Amount for the year ended March 31, 2026 and March 31, 2025 recognised in the Statement of Profit and Loss under employee benefit expenses, outsource warehouse manpower expense, exceptional item and other comprehensive income

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Current service cost	0.77	0.02
Past service cost	2.86	-
Interest expenses	0.06	0.01
Amount recognised in Statement of Profit and Loss	**3.69**	**0.03**
Actuarial loss / (gain) in obligation due to changes in financial assumptions	(0.02)	0.01
Actuarial loss / (gain) in obligation due to changes in demographic assumptions	(0.09)	0.10
Actuarial loss in obligation due to changes in experience adjustments	(0.41)	0.12
Amount recognised in Other Comprehensive Income (OCI)	**(0.52)**	**0.23**





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

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
Mortality table	IALM (2012-14)	IALM (2012-14)
Discount rate:	6.55%	6.65%
Future salary increases	5.00% to 7.00%	7.00%
Withdrawal rates	26.57% - 38.67% for onroll employees and 63% for contractual employees	22% for managers and above 30% for frontline staff
IALM - Indian Assured Lives Mortality (Ultimate)	IALM (2012-14)	IALM (2012-14)

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

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

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

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

Particulars	As at March 31, 2026	As at March 31, 2025
Within the next 12 months (next annual reporting period)	2.27	0.16
Between 2 and 5 years	1.81	0.17
Between 6 and 9 years	0.37	0.17
10 & Above following years	0.16	0.12
Total expected payments	**4.61**	**0.62**

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 4.06 years and 1.48 years for onroll and contractual employees respectively.

E **Sensitivity analysis**

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

Particulars	As at March 31, 2026	As at March 31, 2025
Discount rate (-/+ 1%)		
Decrease by 100 basis points	0.09	0.03
Increase by 100 basis points	(0.08)	(0.03)
Future salary increase (-/+ 1%)		
Decrease by 100 basis points	(0.09)	(0.03)
Increase by 100 basis points	0.10	0.03

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.

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

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Note 40

Related party transactions

A. Names of the related parties

Relationship	Name of entity
Holding Company	FSN E-Commerce Ventures Limited
Fellow Subsidiary*	FSN Brands Marketing Private Limited Nykaa Fashion Limited Nykaa E-Retail Limited FSN International Limited Nykaa Foundation
Directors and Key Management Personnel (KMP)	Mr. Vishal Gupta -- Director # Mr. Jagdish Dargar -- Director # Mr. Sujeet Jain -- Director w.e.f June 17, 2024 # Mr. Santosh Desai -- Independent Director w.e.f. October 29, 2025 Ms. Shalini Raghavan -- Director till August 08, 2024 # Ms. Sukhleen Aneja -- Additional Director w.e.f December 17, 2024 till March 31, 2026

* Where there are transactions in current or previous year
# no transactions occurred during the current or previous year

Particulars	Nature of transactions	Transactions during FY 2025-26	Balance as at March 31, 2026	Transactions during FY 2024-25	Balance as at March 31, 2025
Holding Company					
FSN E-Commerce Ventures Limited	Loan taken (net)	(8.00)	(8.00)	-	-
	Rent expenses	10.12	-	11.81	-
	Reimbursement of expenses	102.04	(5.90)	62.62	(6.35)
	Interest expense	1.59	(0.14)	-	
	Purchases	-	-	-	-
	Brands usage fee	169.32	(13.09)	105.41	(3.31)
	Lease liability	-	-	-	(3.89)
	Interest cost on lease liability	-	-	0.57	-
	Commission - financial guarantee	2.00	-	2.00	-
	Equity Share Capital	-	(5.10)	-	(5.10)
	Share based payment	0.91	-	1.21	
	Capital contribution	-	(11.67)	-	(11.67)
Nykaa E-Retail Limited	Sales	(1,113.99)	-	(748.56)	-
	Discount expenses	169.47	-	121.35	(12.53)
	Reimbursement of expenses	59.56	(57.97)	31.90	(28.82)
FSN Brands Marketing Private Limited	Sales	(613.81)	-	(342.77)	-
	Beauty advisor fees	95.61	(26.91)	56.50	(5.06)
	Discount expenses	54.67	(8.55)	42.92	-
FSN International Limited	Sales	(82.57)	-	(5.83)	-
	Discount expenses	8.04	-	0.68	-
	Marketing expense	17.89	(6.32)	1.35	(0.07)
Nykaa Foundation	Investment*	-	0.00*	-	0.00*
	Donation	2.60	-	1.97	-
Directors and key management personnel(KMP)					
Sukhleen Aneja	Remuneration & Reimbursements	23.82	-	5.49	-
Santosh Desai	Sitting fees	0.03	-	-	-

Figures in brackets indicates payables and income
*Numbers are below million under the rounding off convention adopted by the Company and accordingly not reported.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms, equivalent to those that prevail in arm's length transactions. Outstanding balances (trade receivables and payables) at the year-end are unsecured and interest free and settlement occurs in cash.

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

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

Note 41

Commitments and contingent liabilities

A) Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 13.74 Mn as at March 31, 2026 (March 31, 2025 – Nil).

B) Contingent liabilities

The company does not have any contingent liabilities.

Note 42

Segment Information

The Company is engaged in the business of trading of Kay beauty products on the online platforms or websites such as e-commerce, m-commerce, internet as well as through physical stores, stalls, general trade and modern trade etc. The Company's business activity falls within a single primary business segment, i.e. Beauty. Accordingly, disclosures as required under Ind As 108, Operating Segments, has not been separately presented in the financial statements since the information is available directly from the Statement of Profit and Loss.

The Company has identified Board of Directors and CEO as Chief Operating Decision Maker ('CODM') who reviews and allocates resources based on abovementioned "Business Segments".

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

(ii) No single external customer (other than related party) contributed 10% or more to Company's revenue.

(iii) All non current assets of the Company are located in India

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Note 43

Financial instruments by category and fair value hierarchy:

Below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments with carrying amounts that are reasonable approximations of fair values.

Particulars	Level	Carrying value as of	
		March 31, 2026	March 31, 2025
Financial Assets:			
Amortised cost			
Trade receivables		151.55	95.85
Cash and cash equivalents		122.85	17.22
Bank balance other than cash and cash equivalents		-	100.00
Other financial assets		54.14	52.24
Mark-to-market derivative instrument[(1)]	2	0.16	-
		328.70	**265.31**
Financial Liabilities:			
Amortised cost			
Borrowings		-	-
Lease liabilities		8.49	14.71
Trade payables		170.30	90.19
Other financial liabilities		333.36	197.17
FVTPL			
Mark-to-market derivative instrument[(1)]	2	-	0.13
		512.15	**302.20**

[(1)] Included in other current financial liabilities and other financial assets

During the year ending March 31, 2026 and March 31, 2025, there were no transfers between Level 1 and Level 2 fair value measurements.

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

Valuation methodology:

The fair values of assets and liabilities are included at the amount at which the instrument can be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

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

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

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Note 44

Financial risk management objectives and policies:

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

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

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, 2026 and March 31, 2025.

a) Interest rate risk

The Company is exposed to interest rate risk primarily due to borrowings having floating interest rates. The Company uses available working capital limits for availing short-term working capital demand loans with interest rates negotiated from time to time so that the Company has an effective mix of fixed and variable rate borrowings. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Interest rate risk

Particulars	Increase / decrease in basis points	Effect on profit before tax
March 31, 2026	+50	(0.19)
	-50	0.19
March 31, 2025	+50	-
	-50	-

b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities denominated in foreign currency and thus the risk of changes in foreign exchange rates relates primarily to trade payables.

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

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

Particulars	Currency	As at March 31, 2026		As at March 31, 2025	
		Foreign currency	Rs.	Foreign currency	Rs.
Forward contracts to Purchases EUR - Trade Payable	Euro	0.13	14.46	0.06	5.78
	USD	0.09	8.98	0.03	2.24

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

Particulars	Currency	As at March 31, 2026		As at March 31, 2025	
		Foreign Currency	Rs.	Foreign Currency	Rs.
Payables:					
Trade payables	USD	0.30	28.16	0.02	1.45
	Euro	-	-	-	-
Advances:					
Advance to vendors against purchases / expense	USD	-	-	0.18	15.46
	CNY	-	-	0.27	3.13
	GBP	0.01	1.00		
	Euro	-	-	-	-

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

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

c) Product price risk

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

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B) Credit risk

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

a) Trade receivables

The Company has adopted a policy of dealing with only credit worthy counterparties in case of institutional customers and the credit risk exposure for institutional customers is Trade receivables are non-interest bearing and are generally on terms of 0 to 60 days.

Movement in allowances for expected credit loss:

Particulars	As at March 31, 2026	As at March 31, 2025
Opening balance	0.43	1.46
Provision (reversed) / made during the year	0.97	(1.03)
Provision written off during the year	(0.19)	-
Closing balance	**1.21**	**0.43**

b) Security deposit

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

b) 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.

Liquidity risk

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

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

Particulars	Carrying value	Less than 1 year	1 to 5 years	> 5 years	Total
As at March 31, 2026					
Borrowings	-	38.00	-	-	38.00
Lease liabilities	8.50	8.41	0.49	-	8.90
Trade payables	170.30	170.30	-	-	170.30
Other financial liabilities	333.36	333.36	-	-	333.36
Total	**512.16**	**550.07**	**0.49**	**-**	**550.56**
As at March 31, 2025					
Borrowings	-	-	-	-	-
Lease liabilities	14.70	8.16	8.02	-	16.18
Trade payables	90.19	90.19	-	-	90.19
Other financial liabilities	197.30	197.30	-	-	197.30
Total	**302.19**	**295.65**	**8.02**	**-**	**303.67**

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

Note 45

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 capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Company consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if

Particulars	As at March 31, 2026	As at March 31, 2025
Gross debt	38.00	-
Less: cash and cash equivalents	(122.85)	(17.22)
Net debt (A)	**(84.85)**	**(17.22)**
Equity	577.64	359.21
Preference share capital		
Total equity (B)	**577.64**	**359.21**
Net gearing ratio (A)/(B)	(0.15)	(0.05)

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2026 and March 31, 2025.

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Note 46

Employee Share Based Payment

Under the Employees Stock Option Scheme - 2017 ("2017 Scheme") 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 fair value of the share options is estimated at grant date using Black-Scholes Model, taking into account the terms and conditions upon which the share options were granted

The Company has recognised an expense of Rs 0.91 Mn (March 2025 - 1.21 Mn) arising from equity settled share based payment transactions for employee services received during the year.

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

Particulars	As at March 31, 2026	As at March 31, 2025
Options outstanding at the beginning of the year	2,00,000	
Options granted during the year	-	2,00,000
Options forfeited during the year	(1,50,000)	-
Options expired/lapsed during the year	-	-
Options exercised during the year	(50,000)	-
Options outstanding at the end of the year	-	-
Excersisable at the end of the year	-	2,00,000
For options outstanding at the end of the year:		
Exercise price range	-	169.65
Weighted average remaining contractual life (in years)	-	6.20

Fair value of options granted

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

Particulars	ESOS 2017			
	Tranche I	Tranche II	Tranche III	Tranche IV
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected life (years)	1.99	2.74	3.48	4.13
Risk free interest rate (%)	6.48%	6.50%	6.53%	6.55%
Volatility (%)	35%	40%	45%	45%
Share price on date of grant	169.91			
Fair Value	42.29	55.50	68.25	74.67

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 the year was Nil.

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, 2026	For the year ended March 31, 2025
Stock based compensation expense determined under fair value method recognised in statement of profit or	0.91	1.21





Nykaa-KK Beauty Private Limited
(Amounts in ₹ millions, except per share data and unless stated otherwise)
Notes to the financial statements as at and for the year ended March 31, 2026

Note 47
Ratio Analysis and its elements

SN.	Ratio	Numerator	Denominator	As at March 31, 2026	As at March 31, 2025	% Change	Reason for changes more than 25%
1	Current ratio	Current assets	Current liabilities	1.78	1.68	5.69%	
2	Debt equity ratio	Total Long term debt	Shareholder's equity	-	-	0.00%	
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	14.00	9.65	45.07%	On account of increase in sales & profit of the Company
4	Return on equity ratio	Net Profits after taxes	Average Shareholder's Equity	46.55%	36.06%	29.10%	On account of increase in sales of the Company
5	Inventory turnover ratio	Cost of goods sold	Average Inventory	1.85	2.67	-30.60%	On account of increase in inventory of the Company
6	Trade receivable turnover ratio	Net credit sales = Gross credit sales - sales return	Average Trade Receivable	17.11	13.58	25.99%	On account of increase in sales of the Company
7	Trade payable turnover ratio	Net credit purchases = Gross credit purchases - purchase return	Average Trade Payables	7.68	6.45	19.11%	
8	Net capital turnover ratio	Net sales = Total sales - sales return	Working capital = Current assets – Current liabilities	4.71	6.25	-24.78%	
9	Net profit ratio	Net Profit	Net sales = Total sales - sales return	10.30%	8.33%	23.67%	
10	Return on capital employed	Earnings before interest and taxes	Capital Employed = Tangible Net Worth + Total Debt	53.24%	44.20%	20.45%	
11	Return on Investment	Interest on fixed deposit	Average Investment in fixed deposit	6.96%	2.45%	184.16%	On account of significant rise in interest income and investment in fixed deposit made.

Note 48
Audit Trail

1.During the year, the Company migrated from its existing ERP system ("legacy accounting software") to a new ERP system ("new accounting software") with effect from January 1, 2026.
a. In respect of the legacy accounting software, the audit trail facility was enabled for relevant transactions recorded in the software, except that the audit trail feature is not enabled at the database level and certain users have access to make direct changes that were not logged at the application layer.
b. In respect of the new accounting software implemented from January 1, 2026:
i. The audit trail facility was enabled at the application layer for relevant transactions recorded in the software; however, certain users have access to make direct changes that were not logged.
ii. For the database layer, the Company has obtained the Service Organisation Controls ("SOC") report covering the period up to December 31, 2025, along with a bridge letter for the balance period during the year. However, this SOC report, issued by the ERP service provider to all its users, does not explicitly mention if the audit trail controls were enabled or not at the database layer.

2. Further, the Company uses certain other peripheral applications that support the recording of revenue, inventory and procurement (hereinafter referred to as 'supporting software'), wherein:
a. In the case of one application related to procurement (which was implemented w.e.f. January 01, 2026), wherein the audit trail (edit log) facility was not enabled throughout the period,
b. In the case of other applications, the audit trail (edit log) facility:
i. was enabled at the database layer from October 1, 2025, for all relevant transactions recorded in the software; and
ii. was not enabled accurately for certain applications at the application layer.

3.Also, the Company used third-party operated software for Processing payroll and procurement: Management obtained the report of Service Organisation Controls (SOC) auditors engaged by such third party for the period April 01, 2025 to December 31, 2025, along with a bridge letter for the balance period during the year which mention that 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.

Additionally, the Company has preserved the audit trail records in accordance with the statutory requirements for record retention, to the extent such audit trails were available in the respective systems.

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Nykaa-KK Beauty Pvt. Ltd.

Note 49
Expenditure towards corporate social responsibility (CSR) activities

SN	Particulars	As at March 31, 2026	As at March 31, 2025
a)	Gross amount required to be spent by the Company during the year	2.60	1.97
b)	Amount spent during the year on the following in cash		
	i. Construction/ acquisition of any asset	-	-
	ii. On purpose other than (i) above	2.60	1.97
c)	The amount of shortfall at the end of the year out of the amount required to be spent by the Company during the year	-	-
d)	The total of previous years' shortfall amounts;	-	-
e)	Related party transactions in relation to corporate social responsibility	-	-
f)	Provision movement during the year	-	-
g)	Reason of above shortfall	Not applicable	Not applicable
h)	Nature of CSR activities	The amount spent during the year has been utilized towards skill development programmes for women and sports development initiatives for athletes from underserved communities.	Promoting education, gender equality and health care including preventive health care.

*Contribution of ₹ 2.60 Mn (March 31, 2025 : ₹ 1.97 Mn) has been given to Nykaa foundation which is a section 8 company engaged in doing CSR activities. The amount has been contributed through Nykaa Foundation for CSR activity.

Note 50
Other Statutory Information

i. The Company does not have any transactions with Companies struck off.
ii. The Company does not have any charges 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. The Company does not have any number of layers, hence there is no need to comply with number of layers prescribed under clause(87) of section 2 of the Act read with the Companies (Restriction on number of Layers) rules, 2017.
x. For the Year ended March 31, 2026, the company is not required to transfer any amount into the Investor Education & Protection Fund as required under relevant provisions of the Companies Act, 2013.

Note 51
Previous year figures have been regrouped and reclassified wherever required, to confirm the same with current year figures.

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

per Viral J. Shah
Partner
Membership No: 110120

Place: Mumbai
Date: May 05, 2026

V C SHAH & CO CHARTERED ACCOUNTANTS

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

Vishal Gupta
Director
DIN 10048743

Place: Mumbai
Date: May 05, 2026

Jagdish Dargar
Director
DIN 00278065

Place: Kishangarh
Date: May 05, 2026

Nykaa-KK Beauty Pvt. Ltd.