

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Honasa Consumer Private Limited

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

We have audited the accompanying financial statements of Honasa Consumer Private Limited ("the Company"), which comprise the Balance sheet as at March 31, 2021, the Statement of Profit and Loss, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

**Basis for Opinion**

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

**Other Information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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



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

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

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

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;
  - (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
  - (g) The provisions of section 197 read with Schedule V of the Act in relation to managerial remuneration are not applicable to the Company for the year ended March 31, 2021; and



# **S.R. BATLIBOI & ASSOCIATES LLP**

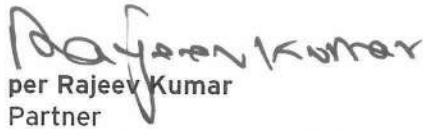
Chartered Accountants

- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 25 to the financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

  
per Rajeev Kumar  
Partner  
Membership Number: 213803  
UDIN: 21213803AAAAEP6090



Place: Bengaluru

Date: September 16, 2021

**ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF HONASA CONSUMER PRIVATE LIMITED**

**Report on the matters specified in paragraphs 3 and 4 of the Companies (Auditor's Report) Order, 2016 ("the Order")**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) All property, plant and equipment have not been physically verified by the management during the year, but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in property, plant and equipment of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at March 31, 2021 and no material discrepancies were noticed in respect of such confirmations.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ("the Act"). Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Act, for the products of the Company.
- (vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of customs, goods and services tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there have been slight delays in remittance of withholding taxes in few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of customs, goods and services tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, goods and services tax and cess which have not been deposited on account of any dispute.





# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

- (viii) The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer, further public offer (including debt instruments) and term loans. Hence, reporting under clause (ix) is not applicable to the Company.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act relating to managerial remuneration are not applicable to the Company and hence reporting under clause 3(xi) are not applicable.
- (xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of section 177 are not applicable to the Company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

  
per Rajeev Kumar  
Partner

Membership Number: 213803  
UDIN: 21213803AAAAEP6090



Place: Bengaluru

Date: September 16, 2021

# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

## **ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF HONASA CONSUMER PRIVATE LIMITED**

### **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 the financial statements of Honasa Consumer Private Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (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 the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditor's Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls with reference to these financial statements included obtaining an understanding of internal financial controls with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the 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 internal financial controls with reference to these financial statements.



# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

## **Meaning of Internal Financial Controls with Reference to these Financial Statements**

A Company's internal financial control with reference to these financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial controls with reference to these 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 authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial 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, the Company has, in all material respects, an adequate internal financial controls with reference to these financial statements and such internal financial controls with reference to these financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

**For S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

  
per Rajeev Kumar

Partner

Membership number: 213803

UDIN: 21213803AAAAEP6090



Place: Bengaluru

Date: September 16, 2021



Honasa Consumer Private Limited  
Balance sheet as at March 31, 2021  
(All amounts in Indian Rupees, except as otherwise stated)

	Notes	March 31, 2021 (Rs)	March 31, 2020 (Rs)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	2,45,970	2,45,790
Reserves and surplus	4	1,82,02,43,939	1,53,11,89,907
		<u>1,82,04,89,909</u>	<u>1,53,14,35,697</u>
<b>Non-current liabilities</b>			
Long-term borrowings	5	50,45,964	-
Other non-current liabilities	6	11,75,067	-
Long-term provisions	7	95,46,949	32,37,161
		<u>1,57,67,980</u>	<u>32,37,161</u>
<b>Current liabilities</b>			
Trade payables	8		
-Total outstanding dues of micro enterprises and small enterprises		12,13,09,071	7,69,71,611
-Total outstanding dues of creditors other than micro enterprises and small enterprises		68,20,94,939	14,20,58,501
Other current liabilities	6	9,07,77,874	2,25,08,229
Short-term provisions	7	2,12,69,874	56,80,430
		<u>91,54,51,758</u>	<u>24,72,18,771</u>
<b>TOTAL</b>		<u><u>2,75,17,09,647</u></u>	<u><u>1,78,18,91,629</u></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9(a)	2,08,31,323	41,55,130
Intangible assets	9(b)	-	9,000
Long-term loans and advances	10	1,82,19,520	57,22,275
Deferred tax asset (Net)	11	1,11,54,517	-
Other non-current assets	16	5,32,71,531	-
		<u>10,34,76,891</u>	<u>98,86,405</u>
<b>Current assets</b>			
Current investments	12	1,54,21,63,917	1,21,89,36,454
Inventories	13	41,34,73,655	13,67,11,147
Trade receivables	14	33,84,26,834	10,60,57,685
Cash and bank balances	15	20,75,43,825	26,41,64,485
Short-term loans and advances	10	14,55,15,325	3,96,52,555
Other current assets	16	11,09,200	64,82,898
		<u>2,64,82,32,756</u>	<u>1,77,20,05,224</u>
<b>TOTAL</b>		<u><u>2,75,17,09,647</u></u>	<u><u>1,78,18,91,629</u></u>

Summary of significant accounting policies

2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

per Rajeev Kumar  
Partner

Membership no.: 213803

Place: Bengaluru, India

Date: September 16, 2021



For and on behalf of the Board of Directors of

Honasa Consumer Private Limited

For HONASA CONSUMER PVT. LTD. For HONASA CONSUMER PVT. LTD.

Varun Alagh

Director

DIN: 07597289

Place: New Delhi, India

Date: September 16, 2021

Ghazal Alagh

Director

DIN: 07608292

Place: New Delhi, India

Date: September 16, 2021

Honasa Consumer Private Limited  
Statement of profit or loss for the year ended March 31, 2021  
(All amounts in Indian Rupees, except as otherwise stated)

	Notes	For the year ended March 31, 2021 (Rs)	For the year ended March 31, 2020 (Rs)
<b>Income</b>			
Revenue from operations	17	4,60,85,94,986	1,09,78,41,731
Other income	18	4,42,16,288	2,22,84,016
<b>Total revenue (i)</b>		<b>4,65,28,11,274</b>	<b>1,12,01,25,747</b>
<b>Expenses</b>			
Purchases of traded goods	19	1,60,77,70,889	50,54,85,141
(Increase) in inventories of traded goods	20	(27,67,62,508)	(12,26,80,742)
Employee benefits expenses	21	27,81,74,175	8,51,31,564
Finance costs	22	17,66,958	2,65,810
Depreciation and amortization expenses	23	47,11,513	31,00,120
Other expenses	24	2,74,04,93,220	70,80,18,659
<b>Total expenses (ii)</b>		<b>4,35,61,54,247</b>	<b>1,17,93,20,552</b>
<b>Profit/(Loss) before tax [(iii) = (i) - (ii)]</b>		<b>29,66,57,027</b>	<b>(5,91,94,805)</b>
<b>Tax expense:</b>			
Current tax		6,18,92,800	-
Deferred tax (credit)		(1,11,54,517)	-
<b>Total tax expenses (iv)</b>		<b>5,07,38,283</b>	-
<b>Profit/(Loss) after tax [(v) = (iii) - (iv)]</b>		<b>24,59,18,744</b>	<b>(5,91,94,805)</b>
Basic earning/(loss) per equity share [nominal value of Rs.10 each (March 31, 2020: Rs 10)]		18,758	(4,281)
Basic earning/(loss) per equity share [nominal value of Rs.100 each (March 31, 2020: Rs 100)]		18,758	(4,281)
Diluted earning/(loss) per equity share [nominal value of Rs.10 each (March 31, 2020: Rs 10)]	28	8,699	(4,281)
Diluted earning/(loss) per equity share [nominal value of Rs.100 each (March 31, 2020: Rs 100)]		18,758	(4,281)

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

per Rajeev Kumar  
Partner  
Membership no.: 213803




Place: Bengaluru, India  
Date: September 16, 2021

For and on behalf of the Board of Directors of  
Honasa Consumer Private Limited

For HONASA CONSUMER PVT LTD

Varun Alagh  
Director  
DIN: 07597289

Ghazal Alagh  
Director  
DIN: 07608292




Place: New Delhi, India  
Date: September 16, 2021

Place: New Delhi, India  
Date: September 16, 2021