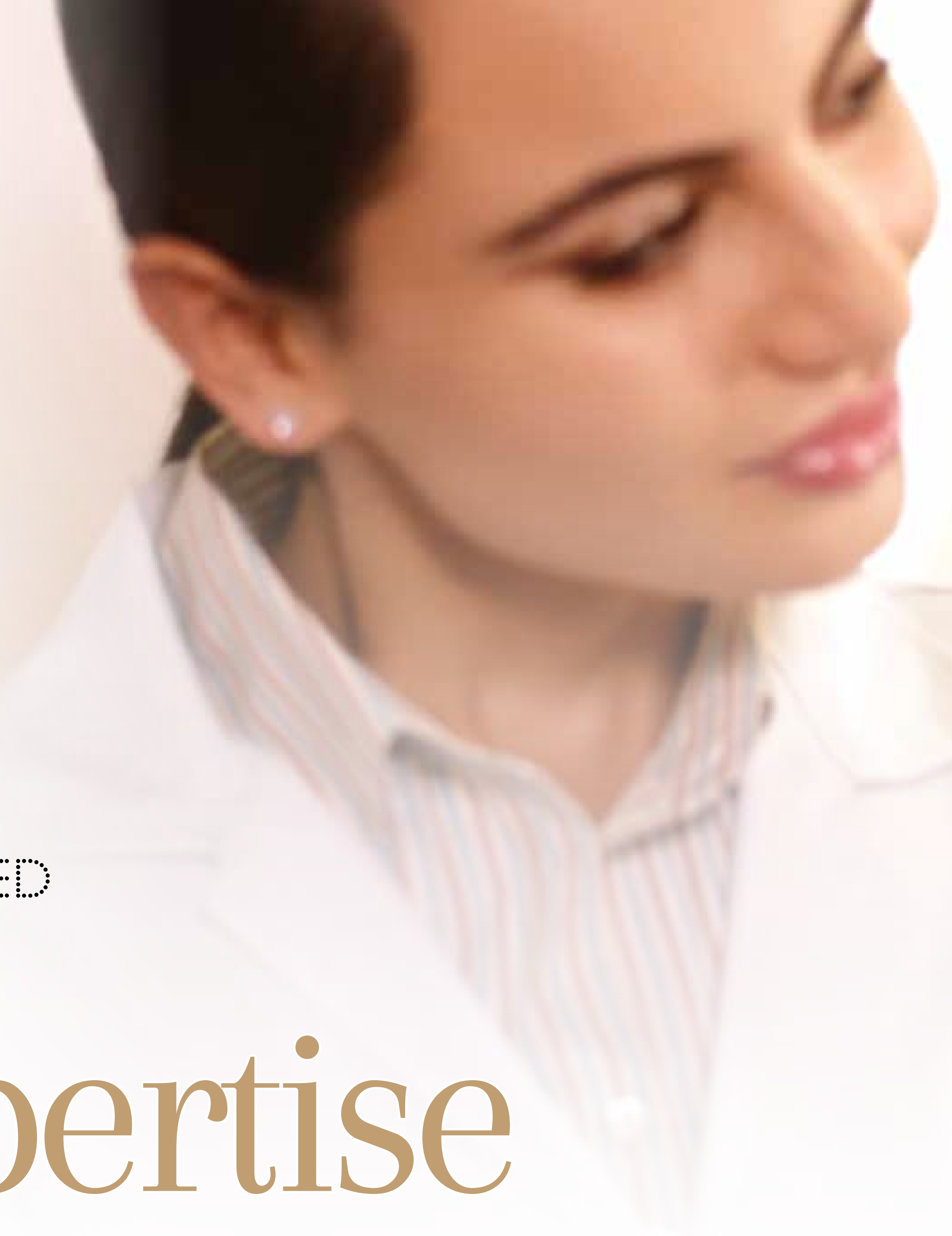
ANNUAL REPORT 2015-16

kaya™

WE ARE FOCUSSED on the future

We at Kaya have come a long way since our inception in 2003 and have touched the lives of over 9 Lakh satisfied customers through our customized skin care solutions. Having established ourselves as the leading Specialty Skin Care Expert, with over 200 highly qualified dermatologists, and our investments in technology and innovations, we are well equipped to ride into the future.

We are also building our range of specialist products, strengthening our Skin care range and expanding into Hair, Men and Body care categories.



WE ARE FOCUSSED on expertise

Kaya, since its inception, has stood at the forefront of dermatological expertise with its in-house team of over 200 dermatologists in India & abroad.

Our expert team of dermatologists guides every customer through their journey of skin health by offering customized skin care advice and solutions & by leveraging advanced technologies. These dermatologists also formulate new services and products focused at delivering efficacy.

Our continual efforts in strengthening the team and our investments in latest technologies have widened and fortified our expertise.

Customized solutions through advanced products & services

Specialized solutions for different skin needs

Cutting Edge Technologies

Over 200 Highly Qualified Dermatologists

WE ARE FOCUSSED on technology

Our vision at Kaya is to create a futuristic digital ecosystem for our consumers, with access to our personalized, customized services & products at the touch of a click, thus providing a seamless experience.

To this effect we have made substantial investments in the form of consultation platforms and advanced diagnostic equipments to achieve high standards of dermatological expertise.

Electronic medical records to capture consumer data for Continuous Care

Multi-pronged approach of digitization across touch points for seamless consumer experience

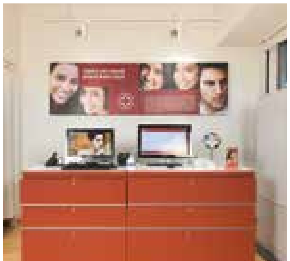
Easy access to dermatologist consultation expertise with DermConsult & DermaRx technology platforms

Tab Enabled Dermatology Consultation

WE ARE FOCUSSED on growth

Kaya has been making skincare expertise easily accessible through its various touch points and has been rapidly expanding with more clinics and stores, solutions and its ecommerce platform.

Kaya with over 50+ products in the Skin care range for both men and women, is also expanding in to Hair care category to widen its growth & reach.



New Product Launches

Over 128 Clinics

Present in over 26 cities in India & 4 countries in Middle East

Over 130 Kaya Skin Bars

Board of Directors

Harsh Mariwala
Chairman & Managing Director

Nikhil Khattau
Independent Director

Ameera Shah
Independent Director

Rajen Mariwala
Non-Executive Director

B S Nagesh
Independent Director

Irfan Mustafa
Independent Director

COMPANY INFORMATION

Board of Directors	:	Mr. Harsh Mariwala Mr. Rajen Mariwala Ms. Ameera Shah Mr. Nikhil Khattau Mr. B. S. Nagesh Mr. Irfan Mustafa
Company Secretary & Compliance Officer	:	Ms. Almas Badar
Audit and Risk Management Committee	:	Mr. Nikhil Khattau, Chairman Ms. Ameera Shah, Member Mr. B. S. Nagesh, Member Mr. Harsh Mariwala, Permanent Invitee to the Committee Ms. Almas Badar, Secretary to the Committee
Nomination & Remuneration Committee	:	Mr. B. S. Nagesh, Chairman Mr. Irfan Mustafa, Member Mr. Rajen Mariwala, Member Mr. Harsh Mariwala, Permanent Invitee to the Committee Ms. Almas Badar, Secretary to the Committee
Stakeholders' Relationship Committee	:	Mr. Nikhil Khattau, Chairman Mr. Subramanian S., Member Mr. Dharmendar Jain, Member Ms. Almas Badar, Secretary to the Committee
Investment, Borrowing and Administrative Committee	:	Mr. Harsh Mariwala, Chairman Mr. Subramanian S., Member Mr. Dharmendar Jain, Member Ms. Almas Badar, Secretary to the Committee
Corporate Social Responsibility Committee	:	Mr. Harsh Mariwala, Chairman Mr. B. S. Nagesh, Member Mr. Rajen Mariwala, Member Ms. Almas Badar, Secretary to the Committee
Auditors	:	Price Waterhouse, Chartered Accountants
Internal Auditors	:	Ernst & Young LLP
Bankers	:	CITI Bank HDFC Bank ICICI Bank Kotak Mahindra Bank Limited Standard Chartered Bank State Bank of India YES Bank
Registered Office:		23/C, Mahal Industrial Estate,Mahakali Caves Road, Near Paperbox Lane,Andheri (East), Mumbai – 400093
Website	:	www.kaya.in

AWARDS & ACCOLADES

KAYA INDIA

"Best Skin Care Provider" award by CIMS

"Wellness Service Brand of the year" at the Indian Health & Wellness Summit

"Brand Excellence Award: Beauty, Wellness & Fitness" at ABP Brand Excellence Award

"Customer Loyalty Program Award" at Asia Retail Congress

"Top 10 Great Places to Work in Retail Award" at Retailers Association of India.

"Best HR Practice Year of the Award" & ***"Entrepreneurial Award for Aesthetic Leadership"*** at 5th Annual Salon & Wellness Awards

KAYA MIDDLE EAST

"Superbrand 2016 – UAE" (for the sixth consecutive year)

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am glad to share the performance for the Kaya Group for the year 2015-16.

For the year ending 31st March 2016 the net revenue for Kaya group was INR 3,699 million, a growth of 11% over last year and overall net profit before tax and exceptions of INR 89 million. The same store growth (SSG) was 6% and in constant currency was 3% for the group.

Last year, we had made significant investments in medical technology in both India and Middle East and had adopted the strategic decision to expand the reach with the launch of new Clinics and Skin Bars for future growth. These investments for expansions along with a not so favourable SSG impacted overall profits for the group in FY 16. This is however expected to do better post gestations of our new clinics and skin bars in the coming year.

Kaya has been the pioneer in specialty skin care services since inception. We have earned our leadership position because we have consistently led from the front - creating a paradigm shift in the approach towards skincare; from 'generic beauty solutions' to 'customized skin care solutions.' Our USP lies in the field of medical expertise where each of the products and services launched by Kaya are designed & recommended by a team of expert dermatologists. With 107 clinics in India, and 21 clinics in Middle East Kaya has established itself as the leader in the specialist skin care space.

More and more consumers are opening up to the idea of getting specialized beauty and hair treatments. At Kaya, advanced skin care services and products are a result of extensive research combined with customer in-sighting. Our new introductions such as **Platelet Rich Plasma (PRP)** and 'Insta clarity laser with **Q Switch technology'** – a technology which gives instant results has received excellent reviews from our customers. We have also successfully piloted hair-care services in India, which include Hair Root Regeneration System for hair growth. These services will be rolled out across all our clinics by second half of the year 2016-17. We are also looking to expand our portfolio on the specialist hair care services and products in the coming years.

Your company has expanded its reach during the year and has successfully opened 8 new Kaya Skin Clinics and over 100 Kaya Skin Bars including multiple formats such as COCO, Shop in Shop and Modern Trade in Financial Year 2015-16. Kaya Skin Clinic's e-commerce business in India grew by 87% in the financial year 2015-16 as compared to last year, contributing to 9% of the Kaya India product sales. Our product portfolio has increased this year with the launch of clinical products like **Blemish Control Formula & Comedone Control Serum** which works on acne prone skin & beauty products such as **Kaya Complexion Perfector Cream** & introduction of our Men's range which include **Skin Energizing Cream** & **Multi-action Revitalizing Cream** that provide multiple skin care benefits. These introductions provide a wider range of offerings to our consumers & allow them to shop in clinics, bars and e- commerce channel thereby improving reach.

Kaya Middle East business had better performance and has delivered growth of 17% with SSG of 13%. Kaya continued to be the leading company in specialized skin care in Middle East region. I am glad to announce, your company has done one acquisition in Abu Dhabi and also entered into Kuwait country with joint venture with Al Beda Group (Universal Medical Centre) to operate the skin care clinic. With this association in Kuwait, Kaya is deepening its footprint in the middle-east market and will continue to increase its presence across Middle East. Our focus would be to add more clinics in the GCC region however with the oil price crashing; we have seen slowdown in our business in the last quarter of the year in Saudi Arabia region which contributes around 25% of our Middle East revenues.

During the year, your company was recognised in various forums and presented the ***"Best Skincare Provider"*** award by CIMS, ***"Wellness Service Brand of the year"*** by Indian Health & Wellness Summit, ***"Brand Excellence Award: Beauty, Wellness & Fitness"*** by ABP Brand Excellence Award, ***"Best HR Practice of the year award"*** and ***"Entrepreneurial Award for Aesthetics Leadership"*** by 5th Indian Salon & Wellness Award 2016. It also received ***"Customer Loyalty Program Award"*** by Asia Retail Congress and lastly an award for ***"Top 10 Great places to work*"** in Retail by Retailers Association of India. Internationally, it continued to win the trust of consumers by being a "***Superbrand"*** for the sixth consequetve year in a row in UAE. These awards and recognitions have further helped our brand grow and establish itself as one of the premier beauty service providers in the country.

I would now like to thank you, our consumers, our leadership Team, our employees and our Board of Directors for supporting us in the growth phase of the company. We stand committed to our journey in making Kaya a better consumer brand in skin & hair care category & I thank you our shareholders, for your continued trust and investment in our company.

Thank you and best wishes.

Harsh Mariwala

Chairman & Managing Director

Place : Mumbai

Date : May 26, 2016

DIRECTORS' REPORT

To the Members,

Your Board of Directors ('Board') is pleased to present the Thirteenth Annual Report of your Company, Kaya Limited, for the year ended March 31, 2016 ('the year under review', 'the year' or 'FY16').

In line with the requirements of the Companies Act, 2013, this report covers the financial results and other developments during April 1, 2015 to March 31, 2016 in respect of Kaya Limited ('Kaya') and Kaya Consolidated comprising Kaya and its subsidiaries. The consolidated entity has been referred to as 'Kaya Group' or 'Your Group' in this report.

FINANCIAL RESULTS – AN OVERVIEW		
Consolidated Summary Financials for the Group	**Rs. Crore**	
	Year ended March 31,	
	2016	**2015**
Revenue from Operations	369.90	332.27
Operating EBIDTA	13.38	32.74
Profit before Tax and Exceptional Items	8.86	36.58
Exceptional Items - Income / (expense) (net)	–	(4.80)
Profit after Tax	8.86	31.78
Kaya Limited – Financials	**Rs. Crore**	
	Year ended March 31,	
	2016	**2015**
Revenue from Operations	185.32	174.08
Profit before Tax	(8.62)	15.47
Less: Provision for Tax for the current year	--	(0.02)
Profit after Tax for the current year	(8.62)	15.49
Add : Surplus brought forward	(55.24)	(70.79)
Add: Transfer from Marico Kaya Enterprises Limited pursuant to the Scheme of Arrangement.	–	0.06
Profit available for Appropriation	**(63.86)**	**(55.24)**
Appropriations:	**–**	**–**
Surplus carried forward	**(63.86)**	**(55.24)**

REVIEW OF OPERATIONS

During FY16 Kaya Limited posted revenue from operations of INR 369.90 Crores, a growth of 11% over the previous year. The business reported Profit before Tax and exception of INR 8.86 Crores (2% of Net Revenue) as compared to Rs. 36.58 Crores (11% of Net Revenue) over last year.

DIVIDEND

The Directors have recommended no dividend for the year ended March 31, 2016.

DIRECTORS' REPORT (Contd.)

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis forming a part of this Annual Report, inter alia, covers the following:

- Industry structure and development
- Opportunities and Threats
- Segment-wise or product-wise performance
- Outlook
- Risks and Concerns
- Internal control systems and their adequacy
- Discussion on financial performance with respect to operational performance
- Material Developments in Human Resources/ Industrial Relations front, including number of people employed.

CORPORATE SOCIAL RESPONSIBILTY ("CSR")

The statutory provisions of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 are not applicable to the Company as on March 31, 2016. Hence, your company is not required to adopt the CSR Policy for FY15-16.

However, as a good Corporate Governance initiative, the Board of Directors at its meeting held on August 3, 2015 constituted the CSR Committee. Once the said statutory provisions are applicable to the Company, the CSR Committee shall recommend to the Board of Directors, the CSR Policy and amount of expenditure to be incurred for the purpose. The Composition of the Committee is laid down in the Corporate Governance Report forming part of this Annual Report.

PUBLIC DEPOSITS

The Company did not accept any public deposits during the year 2015-16.

SCHEME OF ARRANGEMENT

The Hon'ble High Court of Judicature at Bombay vide its order dated April 18, 2015 had approved the Scheme of Arrangement ("the Scheme") between Marico Kaya Enterprises Limited ("MaKE") and Kaya Limited ("the Company") and their respective Shareholders and Creditors. A copy of the Court order was filed with the Office of Registrar of Companies, Mumbai, Maharashtra on May 13, 2015 and accordingly the Scheme came into effect from May 13, 2015. In accordance with the Scheme, the entire business and whole of the undertaking of MaKE, was transferred to Kaya so as to become the properties and assets of Kaya with effect from the appointed date viz. April 1, 2014 pursuant to Sections 391 to 394 read with sections 100 to 103 of the Companies Act 1956 and section 52 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 1956 and Companies Act, 2013. Upon the Scheme being made effective, the Company allotted 1,28,97,100 fully paid up equity shares of face value of INR 10/- each on June 1, 2015 to the entitled shareholders of MaKE in the prescribed share exchange ratio of 1:1, i.e. 1 (One) Equity Share of the face value of INR 10/- each of Kaya, credited as fully paid-up.

LISTING OF EQUITY SECURITIES

During the year under review, your Company made an application to Securities Exchange Board of India ("SEBI") through the National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE") vide its letter dated June 12, 2015 for relaxation from the strict enforcement of the requirement of Rule 19 (2) (b) of the Securities Contract Regulation (Rules), 1957 (SCRR) for the purpose of listing of its equity securities. The application was made in accordance with SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 read with circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013. The Company received the final listing approval on August 12, 2015 from NSE and BSE for commencement of trading of its equity shares on the Stock Exchanges with effect from August 14, 2015.

DIRECTORS' REPORT (Contd.)

Listing Agreement

Securities Exchange Board of India ("SEBI") on September 2, 2015 issued SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to be effective from December 1, 2015 with the aim to consolidate the provisions of Listing Agreement for different segments of capital market. Accordingly, the Company entered into Listing Agreement with BSE Limited and National Stock Exchange of India Limited on December 1, 2015 in accordance with the provisions of the above said Regulations.

SUBSIDIARIES/JOINT VENTURE

The below mentioned companies are the subsidiaries of Kaya as on date of this Report:

1. KME Holdings Pte. Ltd
2. Kaya Middle East DMCC (w.e.f. May 9, 2015)
3. Kaya Middle East FZE
4. Iris Medical Centre LLC (w.e.f. January 18, 2016)

DIPL (Singapore) Pte. Ltd, ceased to be a subsidiary of the Company with effect from January 19, 2016 consequent to its name being struck off pursuant to an application for liquidation made by the Company under the applicable laws in Singapore. This liquidation does not have material impact on the financial statements of the Company.

Kaya Middle East, DMCC, along with its local partner entered into a Share Purchase Agreement dated December 7, 2015 for acquiring 75% beneficial interest in Iris Medical Centre LLC ("Iris") situated at Abu Dhabi and acquired additional 10% beneficial interest in Iris on March 24, 2016. Thus, Kaya Middle East, DMCC now holds 85% beneficial interest in Iris. Iris carries out business of skincare services and operates one clinic in Abu Dhabi.

Joint Venture

During the year under review, Kaya Middle East, DMCC also entered into a Joint Venture Agreement ("JV") dated January 28, 2016 with Al Beda Medical Services K.S.C.C., Kuwait ("Al Beda") to set up and operate dermatology clinic. The interest of Al Beda and Kaya Middle East, DMCC in the JV is in ratio of 51% and 49% respectively. This JV marks the entry of Kaya Skin Clinics in Kuwait.

Pursuant to first proviso to sub-section (3) of Section 129 of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014 and other applicable provisions, if any, a statement covering the salient features of the financial statements of our subsidiaries, joint venture in the prescribed format AOC-1 is annexed to this report as **Annexure I**.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements forming part of this Annual Report.

RELATED PARTY TRANSACTIONS

All transactions with the related parties entered into during the financial year 2015-16 were at arm's length and in the ordinary course of business and in accordance with the provisions of Companies Act, 2013 and the Rules made thereunder. Accordingly, no disclosure is made in respect of the Related Party Transactions in the prescribed Form AOC-2 in terms of Section 134 of the Companies Act, 2013.

All transactions with related parties are placed before the Audit Committee for approval. Prior omnibus approval is obtained for Related Party transactions which are of repetitive nature. The Audit Committee reviews all transactions entered into pursuant to the omnibus approval so granted on a quarterly basis.

The Board approved Policy on Related Party Transactions is uploaded on the website of the Company at www.kaya.in

DIRECTORS' REPORT (Contd.)

DIRECTOR'S RESPONSIBILITY STATEMENT

To the best of their knowledge and information and based on the information and explanations provided to them by the Company, your Directors make the following statement in terms of Section 134(3)(c) of the Companies Act, 2013 ("the Act"):

- that in the preparation of the annual financial statements for the year ended March 31, 2016, the applicable accounting standards have been followed and there are no material departures from the same;
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2016 and of the profit and loss of your Company for the said period;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a 'going concern' basis;
- that proper internal financial controls to be followed by the Company were laid down and such internal financial controls are adequate and were operating effectively;
- that proper systems to ensure compliance with the provisions of all applicable laws were devised and that such systems were adequate and operating effectively.

CORPORATE GOVERNANCE

A separate section on corporate governance practices followed by the Company together with a certificate from the Statutory Auditors confirming compliance thereto is annexed to this Annual Report.

DIRECTORS

Mr. Harsh Mariwala has been on the Board of your Company since its incorporation i.e. March 27, 2003. He was designated as the Chairman and Managing Director of the Company for a term of 5 (five) years, without remuneration, with effect from November 1, 2011. Since the agreement with Mr. Harsh Mariwala is effective till October 31, 2016, re-appointment of Mr. Harsh Mariwala for another term of 5 (five) years, without remuneration, subject to approval of shareholders of the Company, was approved by the Board of Directors at its meeting held on May 26, 2016.

Your Board of Directors recommends the re-appointment of Mr. Harsh Mariwala as Chairman and Managing Director of the Company for another term of 5 years.

Further, Dr. Ravindra Mariwala and Mr. Rishabh Mariwala have resigned from the Board of Directors of the Company with effect from April 28, 2015.

Director Retiring by Rotation

As per Section 152 and other applicable provisions of the Companies Act, 2013, Mr. Rajen Mariwala being liable to retire by rotation at the ensuing Annual General Meeting of the Company has offered himself for re-appointment.

Independent Directors

During the year under review, the Members at the last Annual General Meeting of the Company held on September 24, 2015 approved the appointment of Mr. Nikhil Khattau, Mr. B. S. Nagesh and Mr. Irfan Mustafa as Independent Directors.

The Company has received declarations from the Independent Directors affirming that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and declaration under Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been received from each Independent Director listing the Companies in which he is a Director/ Member stating his Committee Chairmanships and Memberships.

DIRECTORS' REPORT (Contd.)

MEETINGS OF THE BOARD OF DIRECTORS IN THE FINANCIAL YEAR 2015-2016

The Board of Directors of the Company ("the Board'') met 5 times during the year to deliberate on various matters. Details of the meetings held are laid down in the Corporate Governance Report forming part of this Annual Report.

KEY MANAGERIAL PERSONNEL ("KMP's")

There has been no change in the following Key Managerial Personnel of the Company during the year under review:

- Mr. Harsh Mariwala is the Chairman and Managing Director;
- Mr. Dharmendar Jain is the Chief Financial Officer;
- Mr. Subramanian S. is the Chief Executive Officer, Kaya Business – India;
- Ms. Almas Badar is the Company Secretary and Compliance Officer.

POLICY ON NOMINATION AND REMUNERATION

The Nomination and Remuneration Policy ("NR Policy") of the Company, inter alia, covers the following aspects:

1. framework in relation to appointment, removal and remuneration of Directors, and Key Managerial Personnel;
2. evaluation of the performance of Independent Directors and the Board;
3. to preserve Board diversity and assist the Board in ensuring that plan is in place for orderly succession for appointments to the Board;
4. to ensure a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.

The Board approved Policy on Nomination and Remuneration is annexed as **Annexure II.**

PERFORMANCE EVALUATION OF DIRECTORS, BOARD AND ITS COMMITTEES

A formal evaluation of the performance of the Board and its Committees and the individual Directors was carried out for the year 2015-16. The details of which have been provided in the Corporate Governance Report forming part of this Annual Report.

DISCLOSURE RELATING TO REMUNERATION

The disclosure on the details of remuneration to Directors and other employees pursuant to Section 197 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as **Annexure III.**

Details of employee remuneration as required under provisions of Section 197 of the Companies Act, 2013 and Rule 5(2) & 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 shall be made available on the website of the Company 21 days prior to the date of meeting of forthcoming Annual General Meeting. This information is also available for inspection by the members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. Any member desirous of obtaining a copy of the said annexure may write to the Company Secretary of your Company.

COMPOSITION OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The composition and the detailed terms of reference of the Committee are stated in the Corporate Governance Report forming part of this Annual Report.

RISK MANAGEMENT

The Company has a robust Risk Management framework to identify, evaluate business risks and opportunities. This framework seeks to create transparency, minimize adverse impact on the business objectives and enhance the Company's competitive advantage.

DIRECTORS' REPORT (Contd.)

INTERNAL FINANCIAL CONTROLS

The Company practices adequate internal controls with reference to financial statements which are also monitored by the internal auditors. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations, including those relating to strengthening of the Company's risk management policies and systems.

VIGIL MECHANISM

We have embodied the mechanism in the Code of Conduct of the Company for employees to report concerns about unethical behaviour, actual or suspected fraud or violation of our Code of Conduct. This mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases and no personnel have been denied access to the Audit Committee. The Board and its Audit Committee are informed periodically on the cases reported, if any and the status of resolution of such cases.

PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

As per the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 and Rules made thereunder, your company has constituted an Internal Committee and during the year under review, the Committee received no complaints on sexual harassment.

EMPLOYEES' STOCK OPTION SCHEME

The Company has formulated and implemented Kaya Limited Employees Stock Option Scheme, 2014 and Kaya Limited Employees Stock Option Scheme, 2014 – KME for grant of options to employees of the Company and its subsidiaries respectively. The Members of the Company at its Extra Ordinary General Meeting held on September 26, 2014 approved the said Schemes. The Company has successfully passed the requisite resolutions to sanction the revision in number of options granted and exercise price due to the merger of Marico Kaya Enterprises Limited with the Company. Vesting Date for the options granted under Kaya Limited Employees Stock Option Scheme, 2014 and Kaya Limited Employees Stock Option Scheme, 2014 – KME is March 31, 2016 and March 31, 2017 respectively.

Additional information on ESOS in terms of section 62(1) (b) of the Companies Act, 2013 read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 and applicable provisions of the SEBI (Share Based Employee Benefits) Regulations, 2014 is annexed to this Report as **Annexure IV** and shall be made available on the website of the Company. Link: www.kaya.in.

DETAILS OF SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS

There were no significant/ material orders passed by the regulators or courts or tribunals impacting the going concern status of your Company and its operations in future.

AUDITORS

Statutory Auditors

The Members at the Twelfth Annual General Meeting had approved the appointment of M/s. Price Waterhouse, Chartered Accountants as Statutory Auditors of the Company for a period of 1 year to hold office from the conclusion of the Twelfth Annual General Meeting until the conclusion of the Thirteenth Annual General Meeting.

M/s. Price Waterhouse, Chartered Accountants have given their consent and confirmed their eligibility to act as the Auditors of the Company for FY16-17. Your Board recommends their appointment for a period of 1 year to hold office from the conclusion of the Thirteenth Annual General Meeting until the conclusion of the Fourteenth Annual General Meeting of the Company.

DIRECTORS' REPORT (Contd.)

Internal Auditors

M/s. Ernst & Young LLP, a Chartered Accountant Firm, has been associated with your Company as its internal auditor partnering your Company in the area of risk management and internal control systems.

SECRETARIAL AUDIT

Pursuant to Section 204 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your company appointed Amita Desai & Co., Practicing Company Secretaries, Mumbai, to conduct the Secretarial Audit of your Company. The Secretarial Audit Report is enclosed as **Annexure V** to this report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

AUDITORS' REPORT

The Auditors' Report does not contain any qualification, reservation or adverse remark or disclaimer by M/s. Price Waterhouse, Chartered Accountants.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Conservation of Energy

The information of Conservation of Energy as required under Section 134(3) (m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 is not applicable to the business segment in which your Company operates.

Technology Absorption

No technology has been developed and/or imported by way of foreign collaboration.

Foreign Exchange Earnings and Outgo

The details of Foreign Exchange Earnings and Outgo for the year under review are as follows:

Foreign exchange earnings and Outgo	2014 - 2015	2015 - 2016
	(Rs. in Crores)	(Rs. in Crores)
1. The Foreign Exchange earned in terms of actual inflows during the year.	4.97	2.44
2. The Foreign Exchange outgo during the year in terms of actual outflows.	18.91	15.15

EXTRACT OF ANNUAL RETURN

Pursuant to the provisions of the Section 92 of the Companies Act, 2013 ('' the Act'') read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extract of Annual Return of the Company for the financial year ended March 31, 2016 is given in **Annexure VI** to this report.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank all its employees for their dedicated service and firm commitment to the goals of the Company. The Board also wishes to place on record its sincere appreciation for the wholehearted support received from shareholders, bankers, all other business associates, and customers. We look forward to continued support of all these partners in progress.

On behalf of the Board of Directors

Place : Mumbai
Date : May 26, 2016

Harsh Mariwala
Chairman & Managing Director

ANNEXURE I TO THE DIRECTORS' REPORT

Form AOC -1

(Pursuant to first proviso to sub-section (3) of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statements of the Subsidiaries and Joint Venture

Part - "A": Subsidiaries

(Amount in lacs)

Sr. No.	Name of the Subsidiary	Reporting period	Reporting currency	Exchange rate	Share capital	Reserves & Surplus	Total assets	Total Liabilities	Invetsments	Turnover	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed Dividend	% of shareholding
1	KME Holdings Pte Ltd.	March 31, 2016	SGD	49.016	88.42	(10.63)	87.94	10.15	87.80	-	(0.02)	-	(0.02)	NIL	100%
			INR		4,334.20	(521.26)	4,310.30	497.36	4,303.65	-	(0.90)	-	(0.90)	NIL	
2	Kaya Middle East DMCC	March 31, 2016	AED	18.037	0.50	(7.32)	87.66	94.47	41.19	-	(7.32)	-	(7.32)	NIL	100%
			INR		9.02	(131.99)	1,581.05	1,704.02	742.93	-	(131.99)	-	(131.99)	NIL	
3	Kaya Middle East FZE	March 31, 2016	AED	18.037	550.50	(301.82)	618.82	370.14	-	1,026.18	105.09	-	105.09	NIL	100%
			INR		9,929.37	(5,443.98)	11,161.66	6,676.28	-	18,509.28	1,895.46	-	1,895.46	NIL	
4	IRIS Medical Centre LLC	March 31, 2016	AED	18.037	1.50	15.96	24.89	7.43	-	13.71	2.24	-	2.24	NIL	85%
			INR		27.06	287.87	448.93	134.04	-	247.29	40.39	-	40.39	NIL	
5	DIPL (Singapore) Pte. Ltd	Upto January 19, 2016	SGD	49.016	7.48	(7.48)	-	-	-	-	-	-	-	NIL	100%
			INR		366.81	(366.81)	-	-	-	-	-	-	-	NIL	

Notes:

1. % of Shareholding includes direct and indirect holding through subsidiary.
2. The amounts given in the table above are from the Annual Accounts made for the respective financial year end for each of the Companies.
3. The Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies have been based on the exchange rates as on March 31, 2016.
4. During the year, DIPL (Singapore) Pte Ltd (a subsidiary) is liquidated on January 19, 2016. This liquidation does not have material impact on the financial statements of the Company.

For and on behalf of the Board of Directors

Harsh Mariwala — Sd/- Chairman and Managing Director

Nikhil Khattau — Sd/- Director and Chairman of the Audit and Risk Management Committee

Almas Badar — Sd/- Company Secretary & Compliance Officer

Place: Mumbai

Date: May 26, 2016

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Part "B" : Associated and Joint Venture

Name of joint Venture		Kaya Al Beda JV
1	**Latest audited Balance Sheet Date**	March 31, 2016 (Unaudited)
2	**Shares of Associate/ Joint Ventures held by the company on the year end**	
	No.	–
	Amount of Investment in Associates/Joint Venture	–
	Extend of Holding %	49%
3	**Description of how there is significant influence**	Joint Venture Agreement
4	**Reason why the associate/joint venture is not consolidated**	NA
5	**Networth attributable to Shareholding as per latest audited Balance Sheet (Rs in Lacs)**	(15.68)
6	**Profit / (Loss) for the year**	
	i. Considered in Consolidation (Rs in Lacs)	(15.48)
	ii. Not Considered in Consolidation (Rs in Lacs)	–

Note:

The above details pertain to a Joint Venture Agreement dated January 28, 2016 signed by Kaya Middle East, DMCC, subsidiary of the Company with Al Beda Medical Services K.S.C.C., Kuwait.

For and on behalf of the Board of Directors

Harsh Mariwala	Sd/- Chairman and Managing Director
Nikhil Khattau	Sd/- Director and Chairman of the Audit and Risk Management Committee
Almas Badar	Sd/- Company Secretary & Compliance Officer

Place: Mumbai

Date: May 26, 2016

ANNEXURE II TO THE DIRECTORS' REPORT

NOMINATION & REMUNERATION POLICY

1. Introduction:

1.1. In terms of Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 of the Listing Agreement as amended from time to time, this Nomination and Remuneration policy has been formulated by the Nomination and Remuneration Committee ("NRC") and approved by the Board of Directors of the Company.

2. Definitions:

2.1. **"Act"** means the Companies Act, 2013 together with the Rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force.

2.2. **"Board"** means Board of Directors of the Company.

2.3. **"Committee"** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

2.4. **"Independent Director"** means a director referred to in Section 149 (6) of the Companies Act, 2013.

2.5. **"Key Managerial Personnel"** (**"KMP"**) means

- Chief Executive Officer or the Managing Director or the Manager,
- Company Secretary,
- Whole-time Director,
- Chief Financial Officer and
- Such Other Officer as may be prescribed under the applicable statutory provisions/ regulations.

2.6. **"Senior Management"** means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads.

3. Membership of the Committee:

3.1. The Committee shall consist of a minimum three non-executive directors, majority of them being independent. The Chairman of the Committee shall be an Independent Director. Membership of the Committee shall be disclosed in the Annual Report.

4. Frequency of the meetings:

4.1. The meetings of the Committee shall be held as may be required.

5. Objective and purpose of the Policy:

5.1. To lay down a framework in relation to appointment, removal and remuneration of Directors, and Key Managerial Personnel.

5.2. To carry out evaluation of the performance of Independent Directors and the Board.

5.3. To ensure the remuneration of the Directors, Key Managerial Personnel and Senior Management meets the appropriate performance benchmarks.

5.4. To attract, retain and motivate talent and to ensure long term sustainability of talented Managerial persons and create competitive advantage.

5.5. To preserve Board diversity and assist the Board in ensuring that plan is in place for orderly succession for appointments to the Board.

5.6. To ensure a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.

6. Appointment and Removal of Director, Key Managerial Personnel:

6.1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP and recommend to the Board his / her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient/ satisfactory for the concerned position.

6.2. Due to reasons for any disqualification as mentioned in the Companies Act, 2013, and rules made thereunder including any statutory modification(s) or re-enactment(s) thereof for the time being in force, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

7. Evaluation:

7.1. The Committee shall carry out evaluation of performance of every Director and KMP at regular interval.

8. Term / Tenure:

8.1. Managing Director/Whole-time Director:

a. The Company shall appoint or re-appoint any person as its Managing Director or Whole Time Director for a term not exceeding five years at a time.

b. No re-appointment shall be made earlier than one year before the expiry of term.

8.2. Independent Director:

a. An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the company.

9. Remuneration of Directors, KMP and Senior Management:

9.1. The Committee shall lay down criteria relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

9.2. The Committee shall determine the remuneration / compensation / profit-linked commission etc. to the Managing Director and Independent Directors and recommended to the Board for approval.

9.3. The remuneration payable to any Director/ Managing Director/or Whole-time Director shall be determined, in accordance with the clauses as laid down in the Articles of Association of the Company, and shall be subject to the prior / post approval of the shareholders of the Company, as required.

9.4. The Non-executive Independent Directors of the Company shall be paid sitting fees in terms of the Companies Act, 2013, and rules made thereunder including any statutory modification(s) or re-enactment(s) thereof for the time being in force. The quantum of sitting fees will be determined as per the recommendation of the Committee and approved by the Board of Directors of the Company.

10. Disclosure:

10.1. This shall be disclosed in the Annual Report.

11. General:

11.1. The Policy would be subject to revision/amendment in accordance with the applicable laws. The Company reserves the right to alter, modify, add, delete or amend any of the provisions of this Policy.

ANNEXURE III TO THE DIRECTORS' REPORT

Information required under Section 197 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

1. **Ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year 2015-16:**

   No remuneration was paid to the Directors of the Company for the Financial Year ended March 31, 2016. Hence, this disclosure is not applicable.

2. **Percentage increase in the remuneration of each Director, Chief Executive Officer, Chief Financial Officer and Company Secretary in the financial year 2015-16 is as follows:**

Name	Designation	Remuneration		Increase/ (Decrease)%
		2015-16 (INR)	2014-15 (INR)	
Mr. Subramanian S.	Chief Executive Officer	10,004,509	10,103,008	(1)
Mr. Dharmendar Jain	Chief Financial Officer	95,00,373	96,16,667	(1)
Ms. Almas Badar	Company Secretary & Compliance Officer	1,959,308	1,344,892	46

Note:

a) No remuneration was paid to the Directors of the Company for the Financial Year ended March 31, 2016. Hence, this disclosure pertaining to increase in remuneration of each Director is not applicable.

b) The increase in remuneration of the employees is based on the following remuneration philosophy of the company:

   i. The intrinsic worth and future potential of the members;

   ii. The extrinsic value of the role and desired market competitiveness determined through market benchmarking studies; and

   iii. Value added by the role which should be in line with the company employee cost.

3. **Percentage increase in the median remuneration of all employees in the financial year 2015-16 is as follows:**

	2015-16	2014-15	Increase/ (Decrease)%
Median Remuneration of all employees per annum	307,222	294,507	4.32

Note:

a) For calculation of median remuneration for the financial year 2015-16, the employee count taken is 486 which comprise of employees who have served for the whole of the financial year.

b) There has been a marginal increase in the median remuneration based on inflationary trends.

4. **Number of permanent employees on the rolls of the Company as on March 31, 2016:**

   867

5. **Relationship between average increase in the remuneration of all the employees and the performance of your Company.**

   The increase in remuneration of the employees is based on the following remuneration philosophy of the company:

   i. The intrinsic worth and future potential of the members;

   ii. The extrinsic value of the role and desired market competitiveness determined through market benchmarking studies; and

ANNEXURE III TO THE DIRECTORS' REPORT

iii. Value added by the role which should be in line with the company employee cost.

6. **Comparison of the remuneration of the Key Managerial Personnel against the performance of your Company.**

The remuneration of Key Managerial Personnel is linked to individual performance as well as that of the business. Hence, appropriate reward by way of variable pay has been awarded to Key Managerial Personnel for the current year based on their respective performance and that of the business.

7. **Variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year.**

	2015-16	2014-15	Increase/ (Decrease)%
Net Worth of the Company*	1,914,787,284	1,994,856,497	(4.01)

**Taken on a standalone basis.*

Since the company was listed w.e.f. August 14, 2015, appropriate disclosure has been made above.

8. **Average percentage increase already made in the remuneration of employees other than the managerial personnel in the last financial year and its comparison with the percentage increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration**

	Increase/(Decrease)%
Average percentage increase in the remuneration of all employees (Other than managerial personnel)	10.6
Average percentage increase in the remuneration of managerial personnel	No remuneration was paid to the Directors of the Company for the Financial Year ended March 31, 2015 and March 31, 2016. Hence, this rider is not applicable.

9. **Key parameters for any variable component of remuneration availed by the directors.**

No remuneration was paid to the Directors of the Company for the Financial Year ended March 31, 2016. Hence, this disclosure is not applicable.

10. **The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year.**

No remuneration was paid to the Directors of the Company for the Financial Year ended March 31, 2016. Hence, this disclosure is not applicable.

11. **Affirmation**

Pursuant to Rule 5(1)(xii) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, it is affirmed that the remuneration paid to the Key Managerial Personnel and Senior Management is as per the Remuneration Policy of your Company.

ANNEXURE IV TO THE DIRECTORS' REPORT

Details of the Employees Stock Option Scheme of Kaya Limited

Sr. No	Particulars	Kaya Limited Employees Stock Option Scheme, 2014 (KSI)	Kaya Limited Employees Stock Option Scheme, 2014 (KME)
1	Options granted* (during FY 2015-16)	128971	6800
2	Options vested (during FY 2015-16)	125464	None
3	Options exercised (during FY 2015-16)	None	None
4	The total number of shares arising as a result of exercising of option (during FY 2015-16)	None	None
5	Options lapsed/ forfeited** (during FY 2015-16)	3507	1350
6	Pricing Formula/ Exercise Price	Rs. 300 per share	Rs. 300 per share
7	Variation of terms of options	The Scheme of Arrangement between Marico Kaya Enterprises Limited and Kaya Limited and their respective Shareholders and Creditors was made effective on May 13, 2015. Consequently, there was a change in share capital of the Company. Hence, the Board of Directors vide resolution dated May 14, 2015 and pursuant to Clause 12.2 of this Scheme, revised the number of options granted from 178490 to 128971 and the exercise price from Rs. 217 to Rs. 300.	The Scheme of Arrangement between Marico Kaya Enterprises Limited and Kaya Limited and their respective Shareholders and Creditors was made effective on May 13, 2015. Consequently, there was a change in share capital of the Company. Hence, the Board of Directors vide resolution dated May 14, 2015 and pursuant to Clause 12.2 of this Scheme, revised the number of options granted from 9411 to 6800 and the exercise price from Rs. 217 to Rs. 300.
8	Money realized by exercise of options (during FY 2015-16)	NA	NA
9	Total number of options in force (as at March 31, 2016)	125464	5450
10	Employee wise details of options granted to (during FY 2015-16)		
	i) KMP	Summary^ of options granted to KMP in 2014 is as under: - No. of KMPs covered - 2 - CEO and CFO of the Company have been granted ESOP under the Scheme.	–
	^Only summary is given due to sensitive nature of the information.		
	ii) any other employee who receives a grant of options in any one year of option amounting to 5% or more of options granted during the year	There were 6 employees who have received grant of options amounting to 5% or more under the Scheme.	There were 3 employees who have received grant of options amounting to 5% or more under the Scheme.

ANNEXURE IV TO THE DIRECTORS' REPORT

	iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None	None
11	Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with the Accounting Standard (AS) 20' Earnings per Share	(6.69) per share	
12	i) Method of calculating employee compensation cost	The Company has calculated the employee compensation cost using the intrinsic value method of accounting for the options granted under the Scheme.	
	ii) Difference between the employee compensation cost so computed at (I) above and the employee compensation cost that shall have been recognised if it had used the fair value of the Options	Rs 1,577,555/-	
	iii) The impact of this difference on the profits and on EPS of the Company	Had the Company considered 'fair value' method then the employee compensation cost would be higher by Rs. 1,577,555/-. The Loss Before Tax would be higher by the same amount and Earning Per Share by Re.(0.11).	
13	Weighted average exercise price and weighted average fair values of options	Exercise Price is Rs. 300. Fair Value of Option is Rs. 116.04.	
14	Description of method and significant assumptions used during the year to estimate the fair values of options:	Intrinsic Value Method	
	i) Risk-free interest rate (%)	8.47%	
	ii) Expected life of options (years)	1.98	
	iii) Expected volatility (%)	65.00%	
	iv) Dividend yield	0.00%	

**Pursuant to the Merger of Marico Kaya Enterprises Limited with the Company, there was an amendment in the capital structure of Kaya Limited pertaining to which there was a revision in the number of options already granted to the employees of Kaya Limited and Kaya Middle East FZE respectively.*

***Options have been lapsed as the grantees left the organisation.*

ANNEXURE V TO THE DIRECTORS' REPORT

SECRETARIAL AUDIT REPORT

Form No. MR-3

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2016.

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,

The Members
Kaya Limited
23/C, Mahal Industrial Estate, Mahakali Caves Road,
Near Paperbox Lane, Andheri (East)
Mumbai - 400093

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Kaya Limited** (“the Company”). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, and as per the explanations given to us and the representations made by the Management of the Company, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records made available to us during our audit, which is maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of the following laws:

i. The Companies Act, 2013 (the Act) and the rules made there under;

ii. The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made thereunder; **(applicable w.e.f. August 14, 2015 being the date of Listing of secuirities with Stock Exchanges)**

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’) are applicable to the Company:

   a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 **(Applicable w.e.f. August 14, 2015 being the date of Listing of securities with Stock Exchanges);**

   b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 **(Applicable w.e.f. August 14, 2015 being the date of Listing of securities with Stock Exchanges);**

   c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 **(Applicable with w.e.f. August 14, 2015 being the date of Listing of securities with Stock Exchanges);**

   d. Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(Applicable w.e.f. August 14, 2015 being the date of Listing of securities with Stock Exchanges);**

ANNEXURE V TO THE DIRECTORS' REPORT

e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during the Audit period)**

f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client **(Applicable w.e.f. August 14, 2015 being the date of Listing of securities with Stock Exchanges);**

g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company during the Audit period);** and

h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not Applicable to the Company during the Audit period);**

vi. The Following Acts and Rules made thereunder pertaining to the business of the Company are specifically applicable to the Company.

a. The Drugs and Cosmetics Act, 1940 and the Drugs and Cosmetics Rules, 1945;

b. The Legal Metrology Act, 2009; and

c. The Legal Metrology (Packaged Commodities) Rules, 2011

We have also examined compliance with the applicable clauses of the following:

1. Secretarial Standards issued by The Institute of Company Secretaries of India (SS 1(Board Minutes) and SS 2 (General Meetings)) which were effective from 1st July, 2015

2. The Listing Agreements entered into by the Company with the BSE Limited and National Stock Exchange of Limited (during the period August 14, 2015 to November 30, 2015) and Securities and Exchange Board of India Listing Obligations and Disclosure Requirements Regulations, 2015 (during the period December 1, 2015 to March 31, 2016)

During the audit period under review and as per the explanation and clarification given to us and the representations made by the management, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines etc. as mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all directors of the scheduled Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decisions during the period under review were carried through unanimously and there were no dissenting views of any Board Member or Shareholder that were recorded in the Minutes.

We further report that based on review of compliance mechanism established by the Company and on the basis of Compliance Certificate issued by the Chief Financial Officer and taken on record by the Board at their meeting(s), we are of the opinion that there are adequate systems and processes in the Company commensurate with the size and operations of the Company, to monitor and ensure compliance with applicable laws, rules, regulations and guidelines and as informed by the Company, the Company has responded to notice for demands, claims, penalties etc levied by the various statutory / regulatory authorities and initiated actions for corrective measures, wherever necessary.

ANNEXURE V TO THE DIRECTORS' REPORT

We further report that during the period under review:

a. The Hon'ble High Court of Judicature at Bombay vide its order dated April 18, 2015 had approved the Scheme of Arrangement ("the Scheme") between Marico Kaya Enterprises Limited ("MaKE") and Kaya Limited ("the Company") and their respective Shareholders and Creditors. A copy of the Court order was filed with the Office of Registrar of Companies, Mumbai, Maharashtra on May 13, 2015 and accordingly the Scheme came into effect from May 13, 2015.

b. The entire business and whole of the undertaking of MaKE, was transferred to Kaya so as to become the properties and assets of Kaya with effect from the appointed date of April 1, 2014, in accordance with the Scheme and pursuant to Sections 391 to 394 read with sections 100 to 103 of the Companies Act, 1956 and section 52 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 1956 and Companies Act, 2013.

c. That on the Scheme becoming effective on May 13, 2015, the Company issued and allotted 1,28,97,100 fully paid up equity shares of face value of INR 10/- each on June 1, 2015 to the entitled shareholders of MaKE as on the record date i.e. May 27, 2015 in the share exchange ratio of 1:1, i.e. 1 (One) Equity Share of the face value of INR 10/- each of Kaya, credited as fully paid-up.

d. The Company had made an application to Securities Exchange Board of India ("SEBI") through the National Stock Exchange of India Limited and BSE Limited vide its letter dated June 12, 2015 for relaxation from the strict enforcement of the requirement of Rule 19 (2) (b) of the Securities Contract Regulation (Rules), 1957 (SCRR) for the purpose of listing of its equity securities and the Company received the final listing approval from the National Stock Exchange of India Limited and BSE Limited on August 12, 2015 for commencement of trading of equity shares of the Company w.e.f. August 14, 2015.

e. The Company, at the 12th Annual General Meeting of the Company held on September 24, 2015 had altered the provisions of the Articles of Association of the Company to comply with the requirements of Rule 19(2) of the Securities Contracts (Regulations) Rules, 1957.

For Amita Desai & Co.
Company Secretaries

Amita Desai
Proprietor
FCS 4180 CP 2339

Place: Mumbai
Date: May 26, 2016

This report is to be read with our letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.

ANNEXURE V TO THE DIRECTORS' REPORT

SECRETARIAL AUDIT REPORT

Form No. MR-3

ANNEXURE – A

To

The Members

Kaya Limited

23/C, Mahal Industrial Estate, Mahakali Caves Road,

Near Paperbox Lane, Andheri (East)

Mumbai - 400093

Our Secretarial Audit Report for the financial year ended March 31, 2016 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Amita Desai & Co.
Company Secretaries

Amita Desai
Proprietor
FCS 4180 CP 2339

Place: Mumbai
Date: May 26, 2016

ANNEXURE VI TO THE DIRECTORS' REPORT

FORM NO. MGT.9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

CIN	L85190MH2003PLC139763
Registration Date	March 27, 2003
Name of the Company	Kaya Limited
Category/Sub-category of the Company	Category: Company limited by shares Sub - Category: Non – government Company.
Address of the Registered office & contact details	23/C, Mahal Industrial Estate, Mahakali Caves Road, Near Paperbox Lane, Andheri (East), Mumbai – 400 093.
Whether listed company	Yes
Name , Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, Bhandup West, Mumbai, Maharashtra 400078

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:-

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1.	Medical practice activities – To carry on the business of providing Health Care Aesthetics, Beauty & Personal Care products and services in India and abroad including but not limited to medical services through advanced equipment such as surgical lasers, skin treatment appliances, equipment and appliances for treatment of acne, etc.	86201	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:-

Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
KME Holdings Pte. Ltd.	NA	Subsidiary	100	2(87)
Kaya Middle East FZE	NA	Subsidiary	100	2(87)
Kaya Middle East DMCC	NA	Subsidiary	100	2(87)
Iris Medical Centre LLC	NA	Subsidiary	85	2(87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

Note: On Scheme of Arrangement between Marico Kaya Enterprises Limited ("MaKE") and Kaya Limited and its respective Shareholders and Creditors ("the Scheme") becoming effective, the equity share capital of Kaya stood cancelled and all the shareholders of MaKE were issued and allotted equity shares of Kaya of face value Rs. 10 each in the prescribed ratio i.e. 1:1 on June 1, 2015. Hence, the shareholding pattern of the Company is stated from June 1, 2015.

ANNEXURE VI TO THE DIRECTORS' REPORT

i) Category-wise Share Holding

	Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A.	**Promoters**									
(1)	**Indian**									
a)	Individual/HUF	7634484	–	7634484	59.20	7634484	–	7634484	59.20	–
b)	Central Govt.	–	–	–	–	–	–	–	–	–
c)	State Govt(s).	–	–	–	–	–	–	–	–	–
d)	Bodies Corp.	176440	–	176440	1.37	176440	–	176440	1.37	–
e)	Bank/ FI	–	–	–	–	–	–	–	–	–
f)	Any other	–	–	–	–	–	–	–	–	–
	SUB TOTAL - (A) (1)	**7810924**	–	**7810924**	**60.56**	**7810924**	–	**7810924**	**60.56**	–
(2)	**Foreign**									
a)	NRI - Individuals	18000	–	18000	0.14	18000	–	18000	0.14	–
b)	Other - Individuals	–	–	–	–	–	–	–	–	–
c)	Bodies Corp.	–	–	–	–	–	–	–	–	–
d)	Banks/FI	–	–	–	–	–	–	–	–	–
e)	Any other	–	–	–	–	–	–	–	–	–
	SUB TOTAL -(A) (2)	**18000**	–	**18000**	**0.14**	**18000**	–	**18000**	**0.14**	–
	Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	**7828924**	**–**	**7828924**	**60.70**	**7828924**	**–**	**7828924**	**60.70**	**–**
B.	**PUBLIC SHAREHOLDING**									
(1)	**Institutions**									
a)	Mutual Funds	468012	–	468012	3.63	683733	–	683733	5.30	1.67
b)	Banks/FI	4122	–	4122	0.03	21158	–	21158	0.16	0.13
c)	Central Govt.	–	–	–	–	–	–	–	–	–
d)	State Govt(s).	–	–	–	–	–	–	–	–	–
e)	Venture Capital Fund	–	–	–	–	–	–	–	–	–
f)	Insurance Companies	106643	–	106643	0.83	106643	–	106643	0.83	0.00
g)	FIIs	812447	100	812547	6.30	499200	100	499300	3.87	(2.43)
h)	Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
i)	Others (specify):									
1	Clearing Members	73222	–	73222	0.57	111614	–	111614	0.87	0.30
2	Trusts	2400	–	2400	0.02	1681	–	1681	0.01	(0.01)
3	Foreign Investor Corporate	12780	–	12780	0.10	16200	–	16200	0.13	0.03
4	Hindu Undivided Family (HUF)	–	–	–	–	118121	–	118121	0.92	0.92
	SUB TOTAL (B)(1):	**1479626**	**100**	**1479726**	**11.47**	**1558350**	**100**	**1558450**	**12.08**	**0.61**
(2)	**Non Institutions**									
a)	Bodies Corp.									
i)	Indian	727614	840	728454	5.65	963069	760	963829	7.47	1.83
ii)	Overseas	–	–	–	–	–	–	–	–	–
b)	Individuals									
i)	Individual shareholders holding nominal share capital upto Rs. 1 lakhs	2005743	22515	2028258	15.73	1998915	14858	2013773	15.61	(0.11)
ii)	Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	831738	–	831738	6.45	532124	–	532124	4.13	(2.32)
	SUB TOTAL (B)(2):	**3565095**	**23355**	**3588450**	**27.82**	**3494108**	**15618**	**3509726**	**27.21**	**(0.61)**
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**5044721**	**23455**	**5068176**	**39.30**	**5052458**	**15718**	**5068176**	**39.30**	**0.00**
C.	**Shares held by Custodian for GDRs & ADRs**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	Grand Total (A+B+C)	**12873645**	**23455**	**12897100**	**100.00**	**12881382**	**15718**	**12897100**	**100.00**	**–**

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year		
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged/ encumbered to total shares
1	Harshraj C Mariwala (HUF)	122400	0.95	–	122400	0.95	–
2	Pallavi Jaikishan Panchal	18320	0.14	–	18320	0.14	–
3	Preeti Gautam Shah	18000	0.14	–	18000	0.14	–
4	Hema K Mariwala	29952	0.23	–	29952	0.23	–
5	Kishore V Mariwala	33673	0.26	–	33673	0.26	–
6	Hema K Mariwala	48370	0.38	–	48370	0.38	–
7	Rajen K Mariwala	52179	0.40	–	52179	0.40	–
8	Ravindra Kishore Mariwala	18982	0.15	–	18982	0.15	–
9	Rajvi H Mariwala	262000	2.03	–	262000	2.03	–
10	Rishabh H Mariwala	262000	2.03	–	262000	2.03	–
11	Harsh C Mariwala	1467520	11.38	–	1467520	11.38	–
12	Harsh C Mariwala	1467520	11.38	–	1467520	11.38	–
13	Harsh C Mariwala	1467520	11.38	–	1467520	11.38	–
14	Harsh C Mariwala	1467520	11.38	–	1467520	11.38	–
15	Anjali R Mariwala	74182	0.58	–	74182	0.58	–
16	Rajen K Mariwala	67364	0.52	–	67364	0.52	–
17	Arctic Investment And Trading Company Private Limited	175700	1.36	–	175700	1.36	–
18	Malika Chirayu Amin	18000	0.14	–	18000	0.14	–
19	Paula R Mariwala	74182	0.58	–	74182	0.58	–
20	Ravindra.K.Mariwala	131864	1.02	–	131864	1.02	–
21	Harsh C Mariwala	285092	2.21	–	285092	2.21	–
22	Archana H Mariwala	246000	1.91	–	246000	1.91	–
23	Kishore V Mariwala	37	0.00	–	37	0.00	–
24	Kishore V Mariwala	37	0.00	–	37	0.00	–
25	Kishore V Mariwala	37	0.00	–	37	0.00	–
26	Kishore V Mariwala	37	0.00	–	37	0.00	–
27	Kishore V Mariwala	19696	0.15	–	19696	0.15	–
28	The Bombay Oil Private Limited	740	0.01	–	740	0.01	–
	Total	**7828924**	**60.70**	**–**	**7828924**	**60.70**	**–**

(iii) Change In Promoters' Shareholding (Specify If There Is No Change)

There was no change in the Promoter’s shareholding during the Financial Year 2015-16.

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Name	Share holding at the beginning of the year		Date	Increase/ Decrease in Shareholding	Reason	Cumulative shareholding during the year
		No. of shares	% of total shares of the company				No. of Shares
1	Reliance Capital Trustee Co. Ltd-A/C	340331	2.64	During the financial year	120413	Purchase	460744
	Reliance Capital Builder Fund 2 SR B				32000	Sale	428744
2	Tejas B. Trivedi	155322	1.20	During the financial year	–	Purchase	155322
					155322	Sale	0
3	Baring India Private Equity Fund III Listed Investments Limited	147058	1.14	During the financial year	–	No change during the year	147058
4	M/S Napean Trading and Investment Co. Private Limited	137436	1.07	During the financial year	–	No change during the year	137436
5	Kamal Shyamsunder Kabra	133007	1.03	During the financial year	–	No change during the year	133007
6	Mechventure Consultants & Advisors Private Limited	98550	0.76	During the financial year	250	Purchase	98800
					19261	Sale	79539
7	Premier Investment Fund Limited	95200	0.74	During the financial year	–	No change during the year	95200
8	Driehaus Emerging Markets Small Cap Growth Fund, A Series Of Driehaus Mutual Funds	94625	0.73	During the financial year	–	Purchase	94625
					94625	Sale	0
9	DSP Blackrock Small and Mid Cap Fund	127549	0.99	During the financial year	53396	Purchase	180945
					12000	Sale	168945
10	MV SCIF Mauritius	70380	0.55	During the financial year	–	Purchase	70380
					44416	Sale	25964
11	Acira Consultancy Private Limited	–	–	During the financial year	_	Purchase	120000
					120000	Sale	0
12	Hasham Investment and Trading Company Private Limited	–	–	During the financial year	–	Purchase	160926
					160926	Sale	0
13	Life Insurance Corporation of India	78509	0.61	During the financial year	–	No change during the year	78509

Note: The above information is based on the weekly beneficiary positions received from the Depositories. The date wise increase/ decrease in shareholding of the top ten shareholders is available on the website of the Company.

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Name	Share holding at the beginning of the year		Date	Increase/ Decrease in Shareholding	Reason	Cumulative shareholding during the year
		No. of shares	% of total shares of the company				No. of Shares
	Directors						
1	Harsh Mariwala – Chairman & Managing Director	285092	2.21	01-Jun-15	–	No change during the year	285092
		285092	2.21	31-Mar-16			285092
2	Rajen Mariwala –Non-Executive Director	119543	0.93	01-Jun-15	–	No change during the year	119543
		119543	0.93	31-Mar-16			119543
3	Ameera Shah – Independent Director	1182	0.01	01-Jun-15	–	No change during the year	1182
		1182	0.01	31-Mar-16			1182
4	B. S. Nagesh – Independent Director	17000	0.13	01-Jun-15			17000
				23-Dec-15	(1893)	Sale	15107
				24-Dec-15	(6600)	Sale	8507
				28-Dec-15	(600)	Sale	7907
				29-Dec-15	(3407)	Sale	4500
		4500	0.03	31-Mar-16			4500
5	Nikhil Khattau – Independent Director	–	–	01-Jun-15	–	No change during the year	–
				31-Mar-16			
6	Irfan Mustafa – Independent Director	–	–	01-Jun-15	–	No change during the year	–
				31-Mar-16			
	Key Managerial Personnel						
1	S. Subramanian – Chief Executive Officer	4000	0.03	01-Jun-15	–	No change during the year	4000
		4000	0.03	31-Mar-16			4000
2	Dharmendar Jain – Chief Financial Officer	–	–	01-Jun-15	–	No change during the year	
				31-Mar-16			–
3	Almas Badar – Company Secretary & Compliance Officer	–	–	01-Jun-15			–
				04-Sep-15	1	Purchase	1
		1	0.00	31-Mar-16	–		1

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Indebtness at the beginning of the financial year	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
i) Principal Amount				
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
Total (i+ii+iii)	–	–	–	–
Change in Indebtedness during the financial year				
Additions	–	–	–	–
Reduction	–	–	–	–
Net Change	–	–	–	–
Indebtedness at the end of the financial year				
i) Principal Amount	–	–	–	–
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
Total (i+ii+iii)	–	–	–	–

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

No remuneration was paid to the Managing Director, Whole-time Directors and/ or Manager for the Financial Year 2015-16

B. Remuneration to Other directors:

No remuneration was paid to other Directors for the Financial Year 2015-16.

C. Remuneration to Key Managerial Personnel other than Managing Director/Manager/WTD

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1	**Gross salary** (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	10004509	1959308	9500373	21464190
2	Stock Option	35369	–	29127	35369
3	Sweat Equity	–	–	–	–
4	Commission – as % of profit – others, specify...	–	–	–	–
5	Others, please specify	–	–	–	–
	Total	**10039878**	**1959308**	**9529500**	**21499559**

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/ NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty			None		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			None		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			None		
Punishment					
Compounding					

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

Kaya Limited ('Kaya' or 'the Company'), headquartered in Mumbai, Maharashtra, India, carries on Skin Care Business in India and through its subsidiary / Joint ventures in Middle East region. The Kaya Business principally comprises advanced skin care services and products under the brand name of Kaya in India and Middle East.

India

Economic Overview

The year 2015-16 has been a difficult year for the world economy with a major slowdown in China and limited recovery in the USA as various central banks have persevered with various versions of easing through provision of liquidity as well as maintenance of an easy interest rate regime. India, although being largely dependent on the developed nation economies, has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF). India's gross domestic product (GDP) grew 7.6 per cent and all the economic prospects have brightened on the back of reining of inflation, rise in domestic demand, and increase in investments and decline in oil prices. The reduction of inflation has been driven by sharp decrease in prices of crude oil and a fall in major industrial commodities.

Year 2016 was expected as a revival year for the Indian economy, but, largely the industry, consumer sentiments etc remained muted. While the Government has been cautious in its spending while adhering to the fiscal deficit targets, it has taken several initiatives in the areas of infra push in roads and railways, easing the process of doing business, opening the doors to FDI, targeting inflation for monetary policy, starting campaigns on smart cities, urban development, startups, skill development etc. The impact of most of these measures can be gauged over a period of time and may not get reflected in the economic numbers immediately.

According to the Economic Survey 2015-16, the Indian economy will continue to grow more than 7 per cent in 2016-17. The improvement in India's economic fundamentals is expected to accelerate in the coming years with the combined impact of strong government reforms, RBI's inflation focus supported by benign global commodity prices.

INDUSTRY OVERVIEW:

The year 2016, goes down the annals, as a steady year for business development and one that has set the pace for expansion for those involved in beauty and wellness. Indian consumers continued to opt for non-invasive and minimally invasive treatments over surgical procedures for skin wherever possible and these treatments generated more than three-quarters of the total cosmetics treatment sales.

Not only have salons grown, the overall business of beauty is witnessing a change in its form like never before. From brands launching make-up apps, exclusive skin care brands opening stores on high streets and malls to at-home beauty services are catching the attention of investors/corporates hence mushrooming of numbers is proof enough to accentuate the giant strides being taken by this industry. The underlying fact is that the growth potential warrants merit. Not only international names are now in the country, the community of investors have also grown and they are whole-hardheartedly supporting start-ups, at-home beauty services and growing e-commerce sites.

The US $ 1.6 Bn skin care market in India, already the third largest within personal care is likely to grow further as penetration expands. Per capita spends on skin care is just US $1 per year vs US $49 IN US. Currently skin lightning creams dominate the market; however categories like Anti-ageing are also fast growing and will become the next driver of growth. The category is still in need-creation phase and hence adequate amount of education and marketing investments is required to create space.

Digital and especially social media has been another significant driver of the need of beauty and wellness. With the resultant growth of beauty and hair industry, the cosmetology industry has also witnessed an all-round growth in 2015-16.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Technology's influence in skin care has been twofold. Firstly, it is influencing innovation through the rise of beauty treatment devices, new ingredients and new technologies and secondly, customer interaction and experience through the use of diagnostic tools and digital apps as well as payments and delivery are the other areas that are transforming rapidly.

Highly fragmented market

The market is highly fragmented with very few players in the organised space. Some regional players are present in cities across the country. The popularity of most of these stand-alone clinics is the result of the positive reputations of the clinics' individual dermatologists.

Majority of the market is served by stand-alone clinics

As per Euromonitor report, 45% of the total market size is contributed by standalone stores which are located in each region and being run by individual or group of dermatologists. However, regional chained clinics have been expanding their footprint and gaining share. Premium salons also offer specialised services such as Hair removal, peels etc.

Key trends

- Indian consumers are increasingly focusing on improving their appearance. Inspired by movies, TV soap operas and social media, women are seeking to become fairer, younger and slimmer while men want to appear fitter and more metrosexual
- Rising social image consciousness is driving the growth of beauty and personal care industry. It is expected that there will be a greater demand for even skin tone rather than fairer skin
- Anti-aging treatment is being preferred driven by increasing demand for latest procedures, particularly among the growing number of urban middle and upper class consumers
- Hair restoration treatments are driven by the increasing premature hair loss due to rising stress levels, poor water quality and increased pollution
- Indian men have become increasingly conscious of their appearance and the growing demand for new men's grooming products is expected to drive overall industry growth over forecast period
- The diagnosis and treatment will change from being invasive to less invasive, preventative and image-based
- The tools used for treatment will be a holistic combination of therapy and diagnosis —Theranostics with a more preventive rather than corrective approach which will be inclined towards overall wellness
- Tremendous influx of medical technologies from all over the world. There are many skin care products, mesotherapy products, laser as well as light-based technologies that have hit the Indian cosmetic market. However, there are also some other promising non-surgical technologies from the global market
- Increase in demand for treatments for body contouring and tightening. Till some time back, we used to see a demand for treatments for face and neck only. But that is not the case now. Full body solutions are showing increase in demand now

Middle East

Economic Overview

The UAE economy is expected to weather the turbulence caused by the oil price collapse better than its Arab neighbours, as Abu Dhabi advances its strategy of economic diversification focusing on tourism, technology and skilled labour. Growth for the United Arab Emirates (UAE) slowed to 3.9% in 2015, down from 4.6% the year before, according to the International Monetary Fund (IMF). The IMF expects the UAE economy to expand 2.4% this year and 2.6% in 2017. The slowdown largely reflects the sharp decline in oil prices over the past two years. Crude oil exports represent about 30% of the UAE's gross domestic product, which makes the country vulnerable to shocks in the energy market.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

However, the UAE economy is clearly better positioned to withstand additional headwinds caused by collapsing oil prices than its regional ally Saudi Arabia. The Saudi monarchy, which heads the Middle East's biggest economy, recently announced plans to diversify away from oil dependence.

Industry Overview

GCC is one of the highest penetrated markets in the world when it comes to Skin Care products and services (Estimates). Given the high incomes, cultural sensitivities, and an affinity towards European and American trends and products, the category of Skin Care Services is one of the most evolved in the world. The demand for the latest and the best, combined with a high propensity to pay, brings to the market very advanced and the best technologies/machines/products from across the world. Saudi Arabia stands at top in the hierarchy, followed by UAE, Kuwait, Qatar and Oman. The skin in gulf starts experiencing such services at a much earlier age, and therefore, the demand for harsher and quicker solutions continues to grow rapidly. In Saudi, one can find one of the most advanced services available across the world, given that the country has one of the good spending power and a very high beauty consciousness.

UAE (Internal Estimates)

As per Euromonitor, UAE skin care products market is estimated around $150mn and the UAE skin care services market is estimated anywhere around $250mn - $400mn. This is projected to grow at around 20% CAGR in the next few years, as against 5% CAGR of skin care products market, which suggests a huge potential in the category.

The current addressable market size in UAE for the category amounts to almost $1bn coming from around 1.25mn customers.

In UAE, given the small percentage of local population, a large customer base is of Arab Expats (from other Arab countries) followed by Western Expats, with a higher skew of local + expat Arab population in Non-Dubai emirates.

Laser Hair Removal is a highly penetrated category now (our internal estimates suggest anywhere from 60% to 70% penetration), which is leading to intense price competition in the market.

Saudi Arabia

As per Euromonitor, KSA skin care products market is estimated around $600mn and the KSA skin care services market is estimated anywhere around $400mn - $450mn.

The current addressable market size in KSA for the category amounts to almost $2.9bn coming from around 3.9mn customers.

Kaya: The Brand (Middle East)

Kaya has the largest network leadership across Middle East region with ~19 clinics in 3 countries (Kingdom of Saudi Arabia, Oman and UAE) and being the only largest international player it has significant first mover advantage, strong brand platform and is well positioned for future expansion in the region. Kaya is the only brand in our category to receive a SUPERBRAND status, and that too 6 years in a row, from 2011 to 2016

Over the last 13 years of our existence in this market, through good servicing of our clients, we are proudly the No1 Brand in our markets, with an awareness of almost 90% without our target segment, and a TOM of around 25%. This status has been reaffirmed by a number of coveted external recognitions too.

This has been possible due to various reasons. Our differentiated strategy and value proposition, our high focus on customer quality, our thought leadership in marketing, differentiated employee culture, and a very professional organization support structure and processes.

As a brand, we are stronger than ever, and stronger than our network presence, thus holding an opportunity to grow well in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

There are not many skin clinic chains across the region. Our main competition comes from reputed dermatologists owned clinics, and hospital chains. These clinics operate with high quality and ambience and tend to pull clients with the reputation of the dermatologist. They tend to be perceived as more personal to their clients, since most of their business comes from word of mouth and recommendations. However, since they are owned and managed by dermatologists, who are mostly practicing themselves, they are limited in their scope to expand professionally, probably the reason why we haven't seen many chains coming up in the last many years. Collectively, all these dermatologists clinics do give us an competition.

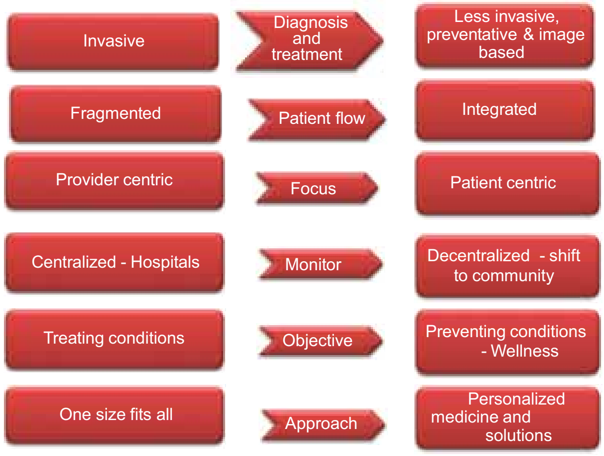
Kaya's Growth Drivers

- **Growth of disposable incomes**
  - o Consumers today do not hesitate to spend on their looks as it makes them feel more confident about themselves and there is an increasing desire to present them in a certain way. The share of Top Income people in the total household (as per McKinsey & Company, April 2010) is expected to increase from 6mn in 2008 to 25mn in 2020 and 77 mn in 2030. This would result in a 4x increase in household in 2020 and 13x increase in household by 2030.
- **Increasing awareness and acceptance of beauty and wellness services, especially among women.**
  - o Rising social image consciousness: Indian consumers are increasingly focusing on improving their appearance. Inspired by movies and TV soap operas, women are seeking to become fairer, younger and slimmer while men want to appear fitter and more muscular
  - o Increase in working women: Women make up about 30% of India's 400m workforce and ~20m of them are in urban pockets. The company expects ~1.05bn women in the working age bracket by 2020 to fuel growth for the sector
  - o Growth of affluent + elite: It expects a 1.2m p.a. increase in affluent women and more than 2m p.a. increase in the elite group to aid the segment. The company estimates the combined segment to rise from ~6% of the population share to ~13% by 2020. This would lead to an increase in their share of consumption of beauty and wellness services from ~24% now to ~39% by 2020
  - o Younger population: India has a relatively young population, with two-thirds of the population aged below 35 with a median age of 26 years. The company believes this age group offers better growth, being more aspirational, better connected, more technology-savvy, more self-conscious and spending power
- **Increase of demand in Men grooming segment**
  - o Indian men have become increasingly conscious of their appearance and the growing demand for new men's grooming products is expected to drive overall industry growth over forecast period. Although traditionally women have been the primary driver of demand, beauty services are no longer targeted strictly to women and there has been increased demand from male consumers as well, seeking personalized services such as men's facial, chest hair removal etc.
- **Better accessibility in terms of stores and ecommerce**
- **Introduction of better technology and preference for organized players**

  There is a significant improvement in the research & technology to address the problems the consumer faces with respect to beauty. Non-surgical methods has witnessed strong growth and increased preference amongst the consumers. Products like Anti-ageing solutions have gained lot of acceptance in the recent times. Increased preference for branded professional beauty care providers who provide consistent consumer experience is boosting the organised segment. Branding is key to have loyal customer base that are attracted by strong R&D & safety standards of organized and branded players. High level of research & technology in the field of beauty treatments has created a trust amongst the consumers and increased the awareness for these products.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

What is expected to shape the industry?



Currently there aren't enough facilities that provide comprehensive skin related treatments under one roof. This coupled with the low availability of dermatologists in India, enhances the dire need of comprehensive skin care set ups providing a wide range of services.

The Kaya Skin Clinic along with the expansion of the product retail format of Kaya Skin Bar ensures that your company is well placed to explore the specialized skin care opportunity.

Outlook

India

Non-invasive market is projected to nearly triple by 2019

Robust demand for non-invasive procedures is projected to drive the market to increase from INR 1,562 crores in 2015 to INR 3,546 Crores in 2019, reflecting a CAGR of 23% over the forecast period. Growth in demand is expected to be driven by increased awareness of modern beauty concepts, growing disposable income, greater availability and celebrity endorsements. The overall Beauty Services market in 2014 was worth 11,500 crores INR. The cosmetic treatments business comprised of 17% of this and of this the non-invasive contribution was 78% while the invasive business contributed 22%. The market for less invasive category is expected to grow more than INR 3.5 billion by 2019 where Hair restoration, Anti-aging and Skin-whitening will provide the maximum opportunities

Middle East

Beauty and personal care continued to demonstrate a strong performance in 2015, including both the mass and premium segments. The market was able to maintain a similar growth rate to the CAGR witnessed during the review period, largely due to the growing focus on personal grooming and hygiene, aggressive activities by companies, as well as steady growth in retail channels.

The focus on personal hygiene is expected to intensify in the coming years. This will eventually lead to growing demand for products with a special focus on hygiene. Usage of social media is expected to continue to gain strength in the forecast period. This trend will eventually have a positive impact on beauty and personal care, as companies will reach out to customers in a more direct way. Future communication strategies are expected to be designed mainly around social media, and mainstream advertising will become extremely limited. Business of Kaya has huge potential opportunity through:

- Growth in existing clinics – Better value proposition led by innovations and improved experience
- Expansion in existing geographies – There is good potential to expand in some of the existing geographies like KSA and Oman

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- Expansion in new geographies, like Qatar, Bahrain, Iran.

  As a brand, we are stronger than ever, and stronger than our network presence, thus holding an opportunity to grow well in the future.

BUSINESS OVERVIEW

A pioneer in skin care dermatology space, Kaya's strength is that it offers a customized skin care solutions which is delivered through Expert Dermatologists, with the application of state-of-art medical technology. The company has been consistently investing in new and advanced technologies in the skincare business, to bring cutting-edge services and products to discerning Indian consumers. Our prime objective is to become the leading player in the specialty skin care market in India and Middle East.

In the recent years, the brand has strengthened its key offerings by innovating in services across categories like Acne, Pigmentation, Anti-aging and building these categories by consistent consumer awareness program. In the coming year Kaya plans to strengthen its Product portfolio by launching series of products at various assortment levels for both Kaya Skin Bars and Clinics and also has plans to enter the new categories like hair solutions with bouquet of services and products providing the consumers the wholistic solution based treatments for every stage of Hair care through its wide range of offerings into the category.

Kaya is also constantly increasing its presence in E commerce space through its own website as well as channel partners. Currently 8% to 10% of Kaya India product sales is through E commerce route.

Key drivers of business going forward are

- Focus on solution based approach
- Sustained SSG & expansion - drive growth & operating leverage
  - o Through growth in existing clinics – Better value proposition led by innovations and improved experience
  - o Through expansion in existing geographies
  - o Through expansion in new geographies in Middle east, like Qatar, Bahrain, Iran
- Innovation in existing services and expansion plans to drive growth
- Increased focus on products through Kay Skin Bars, Clinics and E commerce
- Plans to enter Hair Care service by leveraging its current business model

INTERNAL CONTROLS

Kaya has established a wide-ranging system of Internal Controls to ensure that all assets are safeguarded and protected. Further, it has processes in place to ensure that all transactions are evaluated, authorized, recorded and reported accurately.

Company has also put in place an extensive budgetary control review mechanism whereby the management regularly reviews actual performance in comparison to forecasts to identify any market trends or shortcomings in service offerings. The system is designed to adequately ensure that financial and other records are accurate and reliable for preparing financial information and other data. The internal control procedures are augmented by an extensive program of internal, external audits and periodic reviews by the management.

HUMAN RESOURCES

Kaya, along with its subsidiaries, has total workforce strength of over 1200 employees across 107 clinics and over 130 skin bars in India and over 21 clinics in the middle-east. The company is also associated with over 200+ Dermatologists across the chain in India and Middle East.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

The people policy has ensured to drive human capital effectiveness and setting new benchmarks to inspire. Our company prides itself for its culture of care, concern, customer-centricity and transparency. The organization ensures regular interventions to communicate and align members to organizational thrust areas. This ensures that the entire organization is geared up towards a collaborated performance delivery.

Training and development is a critical part of our customer experience strategy. Capability building of our members is structured through ongoing in-clinic training that is specific to the skills required for performing various services and is continuously adapted to latest in skin care services. In addition, members are taken through soft skills training which along with technical training are re-iterated from time to time.

Kaya was also awarded as Top 10 workplaces in retail category by Great place to Work in 2016.

Performance overview

Kaya is engaged in the business of providing skincare solutions through Kaya skin clinics in India and Middle East. The company is focused on building a profitable business that not only provides great value to its customers but also to its shareholders. The company has undertaken numerous initiatives to boost overall growth. In FY 16 Kaya achieved a gross retail turnover of Rs. 369.9 crores, growth of 11% on consolidated basis.

Bringing back our strategic intent to broaden our offerings in these areas, Kaya has been relentlessly investing in advanced skin care technologies to reinforce its commitment of offering cutting-edge skin care solutions to consumers. Over the past 1 year, Kaya scaled-up advanced technologies in the field of Anti Ageing, Acne, Pigmentation & Hair free to widen the service offerings.

Operational Metrics

Particulars	KSI (Clinics)			Kaya Middle East		
	FY 15	FY 16	Gr %	FY 15	FY 16	Gr %
Category Mix (%)						
Cure	68%	69%	5%	79%	78%	9%
Care	13%	15%	15%	10%	11%	23%
Products	18%	17%	-6%	11%	11%	13%
Operational Metrics						
Customer Count	241308	236856	-2%	60613	63823	5%
Ticket Size (INR / USD*)	8123	8560	5%	422*	429*	2%

(Source: Company's information system)

Kaya India - Cure Portfolio comprising of Anti-ageing, Hair free Acne and Pigmentation contributes to 69% of the business in India and has grown by 5% during the year and Care Portfolio with the launch of new category of facials has seen boost in the Topline with growth of 15%. Products category in the clinics has de-grown by 6% during the year contributing 17% of overall business. Company has made substantial expansion in its new product retail format known as Kaya Skin Bar and has entered the market in various formats like Company operated standalone stores / Kiosks, Shop in shops and Modern Trade through high end wellness chains. Company has 134 skin bar doors as on 31st March 2016 and has also increased its presence in E commerce space which contributes to 9% of overall product sales. Overall Company product sales on collection basis with all formats put together has increased by 18% during the year.

Kaya Middle East - Cure Portfolio comprising of Anti ageing, Hair free Acne and Pigmentation contributes to 78% of the business and has grown by 9% during the year whereas Products grew by 13% in FY 16, driven by launch of new ranges in Middle East. Care portfolio comprising of beauty facials have grown by 23%.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Consolidated Financial Summary

The following tables summarize the results of operations for the year ended March 31st, 2016:

Profit and Loss Statement

Particulars	Kaya Group				Kaya India				Kaya Middle East					
	FY 15		FY 16		FY 15		FY 16		FY 15			FY 16		
	Rs Crores	% to NR	Rs Crores	% to NR	Rs Crores	% to NR	Rs Crores	% to NR	AED Mn	Rs Crores	% to NR	AED Mn	Rs Crores	% to NR
Revenue from Operations	331.5		369.9		172.4		184.4		95.6	159.1		104.1	185.5	
Gross Contribution	268.6	81%	296.6	80%	135.0	78%	140.3	76%	80.3	133.7	84%	87.7	156.3	84%
Operating EBIDTA	34.4	10%	14.2	4%	7.4	4%	-10.2	-6%	16.3	27.1	17%	13.7	24.4	13%
Operating EBIT	22.8	7%	-2.7	-1%	1.0	1%	-19.9	-11%	13.2	21.9	14%	9.8	17.4	9%
Other Income	14.6	4%	11.3	3%	14.5	8%	11.2	6%	0.0	0.1	0%	0.0	0.0	0%
Earnings before Tax & Exception	37.4	11%	8.6	2%	15.5	9%	-8.6	-5%	13.2	22.0	14%	9.8	17.5	9%
Exceptional Items	-4.8	-1%	0.0	0%	0.0	0%	0.0	0%					-	
Earnings after Tax pre Merger	32.6	10%	8.6	2%	15.5	9%	-8.6	-5%	13.2	22.0	14%	9.8	17.5	9%
Merger / Consol Adjustments	-0.8		0.2		0.0								0.2	
Earnings after Tax post Merger	31.8	10%	8.8	2%	15.5	9%	-8.6	-5%	13.2	22.0	14%	9.8	17.6	10%

(Exchange Rate: FY 16 - 1 AED = Rs. 17.815; FY 15 – 1 AED = Rs. 16.647)

Note:

1. Merger/ Consol Adjustments in FY 15 represents revaluation of ESOP on account of change in Capital of Kaya Limited pursuant to scheme of amalgamation in addition to impact on account of consolidation of Kaya group financials as in FY 16.

Balance Sheet

Rs Crores

Particulars	Mar'16	Mar' 15
Source of Funds		
Share Capital	12.9	12.9
Reserves and Surplus	238.4	221.7
Minotiry Interest	0.5	
Long-term provisions	12.6	9.3
Total	**264.3**	**244.0**
Application of Funds		
Fixed Assets (Net)	81.7	56.2
Goodwill on consolidation	70.1	59.1
Long-term loans and advances	24.2	22.1
Current Investments	148.5	178.4
Net working capital	(60.1)	(71.8)
Total	**243.9**	**244.0**

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Note:

1. *Kaya Group consolidated Balance sheet as on March 31st 2016 presented above is post taking the effect of Merger of Marico Kaya Enterprises (MaKE) Limited with Kaya Limited*

Revenues

Net Revenue in FY 16 at Rs 369.9 crores, registered a growth of 11% (SSG: 6%) over FY 15. India business grew by 7% (SSG: Flat%) and Middle East by 17% (SSG: 13%).

During FY 16, Kaya has added 8 new clinics in India and 2 in Middle East. It has also been able to add over 120 Kaya Skin Bars (KSB) doors – new retail product only stores across various formats.

Cost of Goods Sold (COGS)

Cost of goods sold includes Cost of materials consumed, Purchases of stock-in-trade, changes in inventories of finished goods, work-in-process and stock-in-trade, Consumption of consumables and stores and spare parts as well as Contract manufacturing expenses.

COGS has witnessed a shift of around 1% of revenue in FY 16 as compared to FY 15 on consolidated basis on account of new formats of Kaya Skin Bars as well as clinic expansion. The absolute cost has increased by 18% to Rs 71.1 crores (19% of Net Revenue) in FY 16 as against Rs 60.4 crores (18% of Net Revenue) in FY 15 on account of shift in category mix.

Kaya India's COGS has increased by 250 basis points with addition of new clinics and retail format Kaya Skin Bars stores. Kaya Middle east's COGS has seen an improvement of around 30 basis points as a % of Net Revenue.

Employee Cost

Employee cost includes cost of employee at the clinic servicing the customers as well as staff at the corporate office. This cost at Group level at Rs 128.7 crores (35% of Net revenue) has increased by 21% as compared to Rs 106.1 crores (32% of Net Revenue) in the FY 15. This increase was a result of annual compensation increases for our employees as well as addition of new stores in India and Middle East. Increase excluding expansion is 13% which included new positions at corporate level.

Kaya India's Employee costs at Rs 51.4 crores has increased by 20% on account of annual compensation revision & addition of new clinics and retail format Kaya Skin Bar stores. Kaya Middle east's Employee costs at Rs 77.5 crores has increased by 23% as compared to FY 15.

Rentals

Rental costs at consolidate levels Rs 47.3 crores (13% of Net Revenue) has increased by 17% as compared to Rs 40.6 crores (12% of Net Revenue) in FY 15.

Kaya India rental costs increased by 15% to Rs 33.4 crores (18% of Net Revenue). The increase is on account of new clinic and KSB stores openings during the year. Like to like there is reduction of 4%. The same is expected to be muted in coming years as majority of properties has gone through the renewal cycle in last 2 to 3 years.

Kaya Middle east rental costs at Rs 13.9 crores (7% of Net Revenue) has seen an increase of 21% majorly on account of Expansions and renewals of existing clinics.

Advertisement sales and Promotion

Cost of advertisement at Group level has grown by 11% to Rs 26.0 crores (7% of Net Revenue) in FY 16 as compared to Rs 23.5 crores (7% of Net Revenue) in FY 15.

Kaya India advertisement costs at Rs 15.3 crores (8% of Net Revenue) has grown by 7% in FY 16 on account of new catchments and new retail format Kaya Skin bar being added during the year. However Kaya Middle East Advertisement at Rs 10.6 crores (6% of Net Revenue) has increased by 16% in FY 16.

Other operative expenses

Other expenses majorly include overheads like Doctor professional charges, electricity, repairs and maintenance, insurance, travel, rates and taxes etc. The same at consolidated level has grown by 21% to Rs 83.5 crores (23% of Net Revenue) in FY 16 as compared to Rs 69.0 crores (21% of Net Revenue) in FY 15.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Earnings before interest, tax and depreciation (EBIDTA)

During FY 16, Kaya Group registered operating EBIDTA of Rs. 13.3 crores (4% of Net Revenue) as compared to Rs. 32.7 crores (10% of Net Revenue) in FY 15. Reduction in EBIDTA is on account of slower SSGin India and new clinic / skin Bars expansion in India as well as Middle East.

- Kaya India recorded EBIDTA of Rs. (11.3) crores ((6)% of Net Reveune), compared to Rs. 5.8 crores (3% of Net Revenue) of LY. This includes loss of Rs. (7.7) crores on account of new clinic and skin bar openings. Like to Like EBIDTA (Excluding expansion) at Rs. (3.6) crores ((2)% of Net Revenue).
- Kaya Middle east registered EBIDTA of Rs. 24.4 crores (13% of Net Revenue) as compared to Rs. 26.9 crores (17% of Net Revenue) in FY 15.

Depreciation & Amortization

Depreciation & amortization expense at Group level increased to Rs 16.9 crores (5% of Net Revenue) during FY 16, as compared to Rs 11.6 crores (3% of Net Revenue) during FY 15, increase of 46% over FY 15. The increase is on account of new Medical technology investments in existing clinics as well as clinics & skin bars expansion in India & Middle East

Earnings before Interests and Taxes (EBIT)

Operating Margin of Rs. 3.6 crore (-1% of Net Revenue) as compared to Rs. 21.1 crore (6% of Net Revenue) in FY 15. [Like to Like Operating Margin excluding new clinic / KSB expansion is Rs. 6.6 crores (2% of Net Revenue)]

Other Income

Other income in FY 16 is at Rs 11.3 crores as compared to Rs 14.6 crores in FY 15. This includes profit on redemption of short term Investments made out of surplus cash.

Other income in FY 16 also includes liabilities written back pertaining to previous years amounting to Rs 0.8 crores. The same has not been considered in other income to show operating EBIDTA separately.

Earnings before Taxes (EBT)

Earnings before taxes and exceptions of Rs. 8.8 crores (2% of Net Revenue) as compared to Rs. 36.6 crores (11% of Net Revenue) in FY 15.

Exception in FY 15 includes compensation for termination of Sale and Purchase agreement of Middle East amounting to Rs. 4.8 crores.

Surplus Funds

Cash generation from Operations before taxes during the year FY 15 at a Kaya Group level considering the working capital changes is Rs. 4.7 crores. As a result, as on March 31st 2016, Company had Rs 149.2 crores (Rs 182.5 crores as on March 31st, 2015) of surplus funds available as cash or cash equivalents or invested in Mutual funds and short term deposits post infusing capital in the business by way of technology investments and Clinics / Skin Bars expansion.

Fixed Assets

Fixed assets increased by Rs 25.5 crores during the year FY 16 from Rs 56.2 crores as on March 31st 2015 to Rs 81.7 crores as on March 31st, 2016. The increase is on account of new clinic and KSB store openings during the year as well as advance technology investments in the existing clinics.

OUTLOOK

The long term outlook for Skin care sector remains positive on the back of favourable demographics, higher awareness about health, rising disposable income, burgeoning aspiring middle class segment and large young and working population as well as improvement in the macro economic factors like GDP, inflation etc.

In view of this the company has chartered out its expansion plans through our Kaya brand, enhancement of Medical Technology, entering into new categories like Hair, increase products portfolio which will further enhance our brand visibility and strengthen our core offerings in both the geographies.

CORPORATE GOVERNANCE REPORT

This report on Corporate Governance is divided into the following parts:

- **Philosophy on Code of Corporate Governance**
- **Board of Directors**
- **Audit & Risk Management Committee**
- **Nomination & Remuneration Committee**
- **Stakeholders' Relationship Committee**
- **Other Committees**
- **General Body Meetings**
- **Disclosures**
- **Means of Communication**
- **General Shareholder Information**

- **PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

Corporate Governance is a fundamental component in cultivating efficiency and growth as well as attracting Investor confidence. Business doesn't work in isolation; Kaya believes in meeting its obligations to stakeholders and is channelled by a strong emphasis on transparency, accountability and integrity. Our philosophy of Corporate Governance is to adopt the best emerging practices adhering to not just the regulatory requirements but also to be committed to the sound corporate governance principles and practices.

Our Board exercises its fiduciary responsibilities in the widest sense of the term. The Board Members strive to meet the expectations of operational transparency to stakeholders. All our Directors and employees are bound by Code of Conduct that set out the fundamental standards to be followed in all actions carried out on behalf of the Company. This ensures effective control and management of business.

Kaya follows Corporate Governance Practices around the following philosophical keystones:

Transparency

Kaya believes that sharing and explaining all relevant information on the Company's policies and actions to all those to whom it has responsibility, with transparency and openness, generates an ambience which helps all stakeholders to take informed decisions about the Company. This reflects externally in making maximum appropriate disclosures without jeopardising the Company's strategic interests as also internally in the Company's relationship with its employees and in the conduct of its business.

The Company announces its financial results each quarter. The Company hosts the results on its website and publishes the same in leading newspapers.

Constructive Separation of Ownership and Management

The corporate governance framework of Kaya is based on an effective independent Board. We believe that the Board independence is vital to foster a corporate culture in which the high standards of ethical behaviour, individual accountability are sustained. Thus, the majority of our Board members are independent. An independent director is designated as the chairperson of each of the Audit and Risk Management Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee. The Board does not consist of representatives of creditors or banks.

The Company's Internal and Statutory Auditors are not related to the Company.

CORPORATE GOVERNANCE REPORT (Contd.)

Accountability

The Board plays a supervisory role rather than an executive role. Members of the Board of Directors of the Company provide constructive critique on the strategic business plans and operations of the Company. Kaya has established systems & procedures to ensure that its Board of Directors is well-informed and well-equipped to fulfil its overall responsibilities and to provide the management strategic direction it needs to create long-term shareholder value. The management is present at Board/ Committee meetings so that the Board/ Committee members can seek and get explanations as required from them.

The Audit and Risk Management Committee and the Board of Directors meet at least once in every quarter to consider inter alia, the business performance and other matters of prominence.

Discipline and Fairness

Kaya places significant emphasis on good corporate governance practices and endeavours to ensure that the same is followed at all levels across the organisation. Hence, various mechanisms and policies have been recognized to ensure smooth ethical functioning of operations. Corrective measures have also been defined in case of transgressions by members. All actions taken are arrived at after considering the impact on the interests of all stakeholders.

Social Awareness

The Company has an explicit policy emphasising ethical behaviour. It follows a strict policy of not employing the under-aged. The Company believes in equality of genders and does not practise any type of discrimination. All policies are free of bias and discrimination. Environmental responsibility is given high importance and measures have been taken at all locations to ensure that members are educated and equipped to discharge their responsibilities in ensuring the proper maintenance of the environment.

Corporate Governance

The Company is fully compliant with the applicable mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") inclusive of corporate governance requirements specified in Regulation 17 to 27 and Regulation 46 of the Listing Regulations.

- **BOARD OF DIRECTORS**

The Board of Directors provide strategic guidance which ensures effective monitoring of the management of the Company. The Board encompasses corporate values which enhance the level of deliverables by the Company to Stakeholders. The Company's philosophy of Corporate Governance is based on preserving core values and ethical business conduct, commitment to maximise member value on a continuous basis while looking after the welfare of all the other stakeholders which is the primary responsibility of the Board of Directors, Management and Employees. Our Board exercises appropriate control and judiciously exercises its fiduciary responsibilities in a spirit of trust, transparency and fair play.

The majority of the Directors of the Company are Independent Directors with one woman Independent Director. The Board has established five committees with definitive roles to discharge its responsibilities in an effective and expedient manner. The Company Secretary acts as the Secretary to all the Committees constituted by the Board of Directors. A structured agenda governs the meetings of Board and its Committees. Agenda items, where required, are supported by background papers to enable the members of Board/ Committee members to take informed decisions. Action-taken Report on decisions taken at the previous meeting is placed at the succeeding meeting for critical evaluation of the decision taken and action initiated by the management for implementation of the decision.

CORPORATE GOVERNANCE REPORT (Contd.)

Composition and Categories of Directors:

Name	DIN	Category
Mr. Harsh Mariwala	00210342	Chairman & Managing Director
Mr. Rajen Mariwala	00007246	Non-Executive Director (member of Promoter group)
Ms. Ameera Shah	00208095	Independent Director
Mr. Nikhil Khattau	00017880	Independent Director
Mr. B. S. Nagesh	00027595	Independent Director
Mr. Irfan Mustafa	07168570	Independent Director

Note: Dr. Ravindra Mariwala and Mr. Rishabh Mariwala have resigned from the Board of Directors with effect from April 28, 2015.

No Director is related to any other Director on the Board in terms of the definition of 'Relative' given under the Companies Act, 2013. Mr. Harsh Mariwala and Mr. Rajen Mariwala are related to each other as first cousins.

Number of Board and Board Committees of which a Director is a member or Chairperson as on March 31, 2016:

Name of Director	Number of Outside Directorships(*) held	Number of Memberships in Board Committee of other Companies(**)	Number of Chairmanships in Board Committees of Other Companies(**)
Mr. Harsh Mariwala	4	1	0
Mr. Rajen Mariwala	3	2	0
Ms. Ameera Shah	8	0	0
Mr. Nikhil Khattau	2	4	3
Mr. B. S. Nagesh	6	3	0
Mr. Irfan Mustafa	0	0	0

***Excludes directorship in private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013.*

***Only two committees, namely, Audit Committee and Stakeholders Relationship Committee have been considered as per Regulation 26(1)(b) of the Listing Regulations.*

Dates on which Meeting of the Board of Directors were held during the financial year ended March 31, 2016:

- April 28, 2015
- May 14, 2015
- August 3, 2015
- November 5, 2015
- January 25, 2016

Number of Board Meetings attended by each Director from April 1, 2015 to March 31, 2016 and attendance at the last Annual General Meeting:

Names of Directors	Number of Board Meetings		Attendance at last AGM held on September 24, 2015
	Held	Attended	
Mr. Harsh Mariwala	5	5	Yes
Mr. Rajen Mariwala	5	5	No
Ms. Ameera Shah	5	4	No
Mr. Nikhil Khattau	5	5	Yes
Mr. B. S. Nagesh	5	5	Yes
Mr. Irfan Mustafa*	5	2	No

Note: Mr. Irfan Mustafa was appointed as Additional Director with effect from April 28, 2015.

CORPORATE GOVERNANCE REPORT (Contd.)

Familiarisation Programme for Directors

All the Independent Directors are made aware of their roles, rights, responsibilities at the time of their appointment through a formal letter of appointment. The Company also provides all new Directors with an Induction which includes familiarization of the Director with the Company, his role, rights, responsibilities in the Company, nature of the industry, business model of the Company, etc. The Management makes presentation on the key changes in the Regulations impacting the Company, the role and responsibility of the Board of Directors and its Committees at the Board Meetings. The Independent Directors are provided with periodic inputs on the business performance of the Company, strategic business plans and the annual financial plan at the Committee and Board Meetings or Board Retreats. The Board of Directors has complete access to the information within the Company. Independent Directors have the freedom to interact with the Company's management. Interactions happen during meetings of the Board or its Committee wherein the Business Heads are asked to make presentations about performance of their Business Division to the Board.

During the year under review, the Familiarization Programme conducted for Independent directors provided information relating to the financial performance, business model, budget, control process of the Company and also included introduction on new services included in the Kaya business and regular updates on product developments through presentations made to the Board of Directors and/or Committees of the Board. The said presentations were made at the meetings held on November 5, 2015 and January 25, 2016. All the Independent Directors were present.

The details of the Familiarisation Programme conducted for the Independent Directors enlightening them about their roles, rights, responsibilities in the Company, etc. is disclosed on the Company's website. Link: http://kaya.in/investorrelations/corporategovernance.

- **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Audit Committee was constituted by the Board of Directors at its meeting held on April 13, 2004 in accordance with Section 292A of the Companies Act, 1956. Since Section 292A of the Companies Act, 1956 had been substituted by Section 177 of the Companies Act, 2013, the extant Audit Committee was required to be aligned with the applicable provisions of the Companies Act, 2013 and hence the Audit Committee was re-constituted in accordance with Section 177 of the Companies Act, 2013 and also the Listing Agreement/ Listing Regulations to be called as "Audit & Risk Management Committee" on April 28, 2015.

The Audit and Risk Management Committee comprises of the following Members:

Members	Designation
Mr. Nikhil Khattau	Chairman of the Committee
Mr. B. S. Nagesh	Member
Ms. Ameera Shah	Member
Mr. Harsh Mariwala	Permanent Invitee to the Committee
Ms. Almas Badar	Secretary to the Committee

The powers, role and terms of reference of the Committee covers the areas as contemplated under Regulation 18(3) of the Listing Regulations and Section 177 of the Companies Act, 2013 as applicable, besides other terms as may be referred by the Board of Directors. The powers include investigating any activity within its terms of reference; seeking information from any employee; obtaining outside legal or other professional advice; and securing attendance of outsiders with relevant expertise, if it considers necessary. The role includes oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible; recommending the appointment, re-appointment, if required, replacement or removal of statutory auditors, fixation of audit fees and approval of payment for any other services, as permitted; reviewing the adequacy of internal audit function; discussing with internal auditors any significant findings and follow-up thereon; reviewing

CORPORATE GOVERNANCE REPORT (Contd.)

with the management annual and quarterly financial statements before submission to the Board for approval; approval or any subsequent modification of any transactions of the Company with related parties; review and monitor the auditors independence and performance and effectiveness of audit process; scrutiny of inter corporate loans and investments, if any; evaluation of internal financial controls and risk management system; and reviewing the functioning of the Whistle blower mechanism.

Number of Audit and Risk Management Committee Meetings attended by each Member from April 1, 2015 to March 31, 2016:

Names of Members	Number of Meetings	
	Held	Attended
Mr. Nikhil Khattau	5	4
Mr. B.S. Nagesh	5	4
Ms. Ameera Shah	5	4

- **NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee constituted by the Board of Directors on April 28, 2015 in accordance with the Section 178 of the Companies Act, 2013 and the Clause 49 of the Listing Agreement/ Listing Regulations, comprises of the following Members:

Members	Designation
Mr. B. S. Nagesh	Chairman of the Committee
Mr. Irfan Mustafa	Member
Mr. Rajen Mariwala	Member
Mr. Harsh Mariwala	Permanent Invitee to the Committee
Ms. Almas Badar	Secretary to the Committee

The terms of reference of the Committee inter-alia includes the following:

1. formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. formulating criteria for evaluation of Independent Directors and the Board;
3. devising a policy on Board diversity;
4. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal;
5. framing and implementing, on behalf of the Board and on behalf of the shareholders, a credible and transparent policy on remuneration of Executive Directors, including ESPS / ESOP, pension rights and any compensation payment;
6. framing the Employees Share Purchase Scheme (ESPS) / Employees Stock Option Scheme (ESOS) for the employees of the Company and of its subsidiary companies; and recommending the same to the Board/ shareholders for their approval and implementing the Scheme approved by the shareholders and suggesting to Board/shareholders changes in the ESPS/ESOS;
7. allotment of shares upon exercise of vested options;
8. any other matter(s) as may be recommended by the Board of Directors.

CORPORATE GOVERNANCE REPORT (Contd.)

Number of Nomination and Remuneration Committee Meetings attended by each Member from April 1, 2015 to March 31, 2016:

Names of Members	Number of Meetings	
	Held	Attended
Mr. B.S. Nagesh	3	3
Mr. Rajen Mariwala	3	3
Mr. Irfan Mustafa	3	2

Nomination and Remuneration Policy

The Nomination and Remuneration Policy ("NR Policy") of the Company, inter alia, covers the following aspects:

1. framework in relation to appointment, removal and remuneration of Directors, and Key Managerial Personnel;
2. evaluation of the performance of Independent Directors and the Board;
3. to preserve Board diversity and assist the Board in ensuring that plan is in place for orderly succession for appointments to the Board;
4. to ensure a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.

The Policy would be reviewed and amended by the Board of Directors on 'need' basis

Remuneration to Executive Director

The Company's Board comprises of only one Executive Director viz. Mr. Harsh Mariwala, the Chairman & Managing Director of the Company. For FY15-16, he is not entitled to any remuneration or sitting fees.

Remuneration to Non-Executive Directors

No remuneration was paid to the Non-Executive Directors ("NEDs") for the Financial Year ended March 31, 2016. The sitting fee for NEDs was revised by the Board of Directors at its meeting held on April 28, 2015. The following table discloses the approved structure for payment to the NEDs post April 28, 2015:

	Particulars	Remuneration
1.	Fixed Remuneration	NIL
2.	Sitting Fees:	
	a) For Board Meetings and the following Committees of the Board: - Audit and Risk Management Committee - Nomination and Remuneration Committee - Stakeholders' Relationship Committee	Rs. 1,00,000 per meeting attended

Shareholding of Non-Executive Directors

Name of Non-Executive Director	No. of Shares held (As on March 31, 2016)
Mr. Rajen Mariwala	119543
Ms. Ameera Shah	1182
Mr. Nikhil Khattau	0
Mr. B.S. Nagesh	4500
Mr. Irfan Mustafa	0
Total	**125225**

CORPORATE GOVERNANCE REPORT (Contd.)

Performance Evaluation of Directors, Board and its Committees

In terms of applicable provisions of the Companies Act, 2013 and Listing Regulations, the Board of Directors carried out the annual performance evaluation of the Directors, Board Committees and the Board as a whole through means of a structured questionnaire.The questionnaire includes various aspects of functioning of the Board and Committee such as its composition, expertise, information flow, performance of specific duties, governance issues, etc. and performance of individual directors on parameters such as attendance, contribution, expertise and independent judgement. The evaluation result and feedback is collated and reviewed for identifying areas of improvement. The Directors have expressed their satisfaction with the process.

Meeting of Independent Directors

During the year under review, a separate meeting of the Independent Directors was held on January 25, 2016 in accordance with the provisions of the Listing Regulations and all the Independent Directors were present at the meeting.

- **STAKEHOLDERS' RELATIONSHIP COMMITTEE**

In accordance with Section 178 of the Companies Act, 2013 and the Listing Agreement/ Listing Regulations, the Stakeholders' Relationship Committee was constituted by the Board of Directors at its meeting held on April 28, 2015.

The Stakeholders' Relationship Committee comprises of the following members:

Members	Designation
Mr. Nikhil Khattau (Non-executive Independent Director)	Chairman of the Committee
Mr. Dharmendar Jain (Chief Financial Officer)	Member
Mr. Subramanian S. (Chief Executive Officer - Kaya India Business)	Member
Ms. Almas Badar	Secretary to the Committee

The terms of reference of the Stakeholders' Relationship Committee are to specifically look into the redressal of shareholder complaints relating to transfer of shares, non-receipt of balance sheet, non-receipt of dividends, etc.

Status Report of Investor Complaints for the year ended March 31, 2016:

No. of Complaints Received	-	72
No. of Complaints Resolved	-	72
No. of Complaints Pending	-	NIL

All valid requests for share transfer received during the year have been acted upon and no such transfer is pending.

Name and designation of Compliance Officer

Ms. Almas Badar, Company Secretary & Compliance Officer

- **OTHER COMMITTEES**

A. INVESTMENT, BORROWING AND ADMINISTRATIVE COMMITTEE

The Investment, Borrowing and Administrative Committee was constituted by the Board of Directors at its meeting held on April 28, 2015. The Investment, Borrowing and Administrative Committee comprises of the following members:

Members	Designation
Mr. Harsh Mariwala (Chairman and Managing Director)	Chairman of the Committee
Mr. Dharmendar Jain (Chief Financial Officer)	Member
Mr. Subramanian S. (Chief Executive Officer– Kaya India Business)	Member
Ms. Almas Badar	Secretary to the Committee

The terms of reference of the Committee include, inter alia, to invest, borrow or lend monies and to delegate requisite authority to company’s personnel for administrative/ routine operational matters. The Committee meets at frequent intervals and disposes matters which are of routine but urgent in nature without having to wait for the next board meeting or resorting of passing of circular resolutions.

CORPORATE GOVERNANCE REPORT (Contd.)

B. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

As set forth in the Directors Report, the Corporate Social Responsibility Committee was constituted by the Board of Directors at its meeting held on August 3, 2015 as a good corporate governance initiative to determine the applicability of CSR to the Company from time to time. The Corporate Social Responsibility Committee comprises of the following members:

Members	Designation
Mr. Harsh Mariwala	Chairman of the Committee
Mr. B. S. Nagesh	Member
Mr. Rajen Mariwala	Member
Ms. Almas Badar	Secretary to the Committee

The terms of reference of the Committee include, inter alia, formulation of a Corporate Social Responsibility Policy, recommendation of the Policy to the Board of Directors of the Company and periodical review of the Policy; recommendation of the amount to be incurred as CSR spend on the activities specified in Schedule VII of the Companies Act, 2013.

- **GENERAL BODY MEETINGS**

Annual General Meetings

Date & Time	Venue	Brief Particulars Of Business Transacted	Whether Special Resolution passed
August 9, 2013 11.30 a.m.	Rang Sharda, Krishnachandra Marg, Bandra Reclamation, Bandra (West), Mumbai – 400 050.	1. Adoption of accounts 2. Re-Appointment of Mr. Rajendra Mariwala as Director 3. Appointment of Statutory Auditors	No
September 19, 2014 11:00 a.m.	Grande Palladium, 175, CST Road, Kalina, Santacruz (East), Mumbai – 400098	1. Adoption of accounts 2. Appointment of Mr. Rishabh Mariwala as Director 3. Appointment of Statutory Auditors 4. Appointment of Ms. Ameera Shah as an Independent Director 5. Approval for Borrowing Limits 6. Alteration of Articles of Association of the Company 7. Ratification of remuneration payable to the Cost Auditors of the Company for the financial year ending March 31, 2015	Yes
September 24, 2015 9.30 a.m.	Dr. R. H. Patil Auditorium, National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051	1. Adoption of accounts 2. Re-Appointment of Mr. Rajen Mariwala as Director. 3. Appointment of Statutory Auditors. 4. Appointment of Mr. Nikhil Khattau as Independent Director 5. Appointment of Mr. B.S. Nagesh as Independent Director 6. Appointment of Mr. Irfan Mustafa as Independent Director 7. Alteration of Articles of Association of the Company	Yes

CORPORATE GOVERNANCE REPORT (Contd.)

Extra Ordinary General Meetings

Date & Time	Venue	Brief Particulars Of Business Transacted	Whether Special Resolution passed
November 15, 2013 4.30 p.m.	8th Floor, Grande Palladium, 175, CST Road, Kalina, Santacruz (East), Mumbai – 400098	Divestment of 100% equity stake held by the Company in Derma Rx International Aesthetics Pte. Ltd.	Yes
September 26, 2014 11:00 a.m.	8th Floor, Grande Palladium, 175, CST Road, Kalina, Santacruz (East), Mumbai – 400098	1. Granting of Stock Option to employees/ Directors of the Company. 2. Granting of Stock Option to employees/ Directors of any subsidiary of the Company.	Yes
February 10, 2015 11.30 a.m.	8th Floor, Grande Palladium, 175, CST Road, Kalina, Santacruz (East), Mumbai – 400098	Approval for Cancellation and Reduction of the issued, subscribed and paid up Equity share capital of Kaya Limited pursuant to the Scheme of Arrangement between Marico Kaya Enterprises Limited and Kaya Limited and its respective Shareholders and Creditors.	Yes

Details of Postal Ballot carried out at AGM/EGM

No special resolutions were required to be passed by the shareholders of the company through postal ballot during the financial year 2015-2016.

- **DISCLOSURES**

1. **Disclosures on materiality significant related party transactions that may have potential conflict with the interests of Company at large.**

   None of the transactions with any of related parties were in conflict with the Company's interest. The details of related party transactions are set out in the Standalone Financial Statements forming part of this Annual Report.

   The Company has formulated a policy on Related Party Transactions and the policy is disclosed on the website of the Company.

   Link: http://kaya.in/investorrelations/corporategovernance

2. **Details of non-compliance by the company, penalties and strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.**

   There has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets since the last three years.

3. **Whistle Blower Policy.**

   We have established a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud or violation of our Code of Conduct. This mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases and no personnel have been denied access to the Audit Committee. The Board and its Audit Committee are informed periodically on the cases reported, if any and the status of resolution of such cases.

CORPORATE GOVERNANCE REPORT (Contd.)

4. **Policy for determining Material Subsidiaries**

   The Company has formulated a policy for determining the Material Subsidiaries and the policy is disclosed on the website of the Company.

   Link: http://kaya.in/investorrelations/corporategovernance

5. **Commodity Price Risk/ Foreign Exchange Risk and hedging activities.**

   Your Company has managed the foreign exchange risk with appropriate hedging activities in accordance with policies of the Company. The aim of the Company's approach to manage currency risk is to leave the Company with no material residual risk. The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to firm commitment. Based on materiality, Foreign exchange transactions are fully covered with limits placed on the amount of uncovered exposure, if any, at any point in time. There are no materially uncovered exchange rate risks in the context of the Company's imports. The Company does not enter into any derivative instruments for trading or speculative purposes. The details of foreign exchange exposures as on 31st March, 2016 are disclosed in Notes to the Standalone Financial Statements.

6. **Compliance with mandatory/non-mandatory requirements:**

   i. **Auditors Certificate regarding Compliance of conditions of Corporate Governance**

      Pursuant to Regulation 34(3) and Schedule V of the Listing Regulations, your Company has obtained a certificate from the Statutory Auditors regarding Compliance of conditions of Corporate Governance and the same is annexed to this Annual Report.

   ii. **Compliance with the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI)**

      The Company has been following the applicable Accounting Standards in preparation of the financial statements. The Notes to the Financial Statements consist the significant accounting policies applied consistently.

   iii. **Code of Conduct**

      The Company's Code of Conduct is applicable to all members viz. the employees (whether permanent or not) and members of the Board. The Code of Conduct also suitably incorporates the duties of Independent Directors as laid down in the Companies Act, 2013. The Code of Conduct and other governance related information is available on Company's website: www.kaya.in

      All the members of the Board and the Senior Management have affirmed their compliance with the Code of Conduct as on March 31, 2016 and a declaration to the effect forms part of CEO and CFO certification.

   iv. **Compliance with Discretionary Requirements under Listing Regulations**

      The Company is in compliance with all the mandatory requirements prescribed under the Listing Regulations. Additionally, the Company has also adopted the following non-mandatory requirements:

      - Company's financial statements are unqualified/ have unmodified audit opinion.
      - The Internal Auditor of the Company directly reports to the Audit Committee on functional matters.

- **<u>MEANS OF COMMUNICATION</u>**

  Quarter and annual financial results for the Company are published in an English Financial daily and a regional newspaper. The Company communicates all the official news releases and financial results through its website – www.kaya.in. Presentations made to Institutional Investors/ analysts are also hosted on the website for wider dissemination.

  The Annual Report, Quarterly Shareholding Pattern, Intimation of the Board Meetings and other quarterly, half yearly and yearly compliances are duly filed with the Stock Exchanges through BSE Listing Centre and NSE Electronic

CORPORATE GOVERNANCE REPORT (Contd.)

Application Processing System (NEAPS) and also disseminated by the Stock Exchanges on their websites, namely; www.bseindia.com and www.nseindia.com.

In Compliance with Regulation 30 of the Listing Regulations, all price sensitive information and matters which are material and are required to be brought to the notice of the shareholders are intimated to the BSE Limited and the National Stock Exchange of India Limited, where the securities of the Company are listed.

- **GENERAL SHAREHOLDER INFORMATION**

Details of Directors as on date of this Annual Report seeking appointment/ re-appointment at the forthcoming Annual General Meeting

1. Mr. Harsh Mariwala

Mr. Harsh Mariwala leads Marico Limited as its Chairman and has been leading Kaya Limited as Chairman and Managing Director for a term of 5 (five) years. Over the past three decades, Mr. Mariwala has transformed the traditional commodities driven business into a leading consumer products and services company in the Beauty and Wellness space. From a turnover of Rs. 50 Lakhs in 1971, Marico's products and services in hair care, skin care and healthy foods generated a turnover of about Rs. 6132 Crores during 2015-16. Under his leadership, Marico has achieved several awards and over 100 external recognitions in the last few years. Mr. Harsh Mariwala's entrepreneurial drive and passion for Innovation, enthused him to establish the Marico Innovation Foundation in 2003. Under the stewardship of an eminent Board, the Foundation acts as a catalyst to fuel innovation in India. Mr. Harsh Mariwala recently launched ASCENT ("Accelerating the SCaling up of ENTerprises") to identify growth-stage entrepreneurs with potential and enable them in their scaling-up journey.

Association with Professional Bodies: Mr. Mariwala was the President of Federation of Indian Chambers of Commerce and Industry (FICCI) in 2011.

He has also held several positions as FMCG Committee Chairman of FICCI and CII.

Mr. Mariwala is a part of Young President Organization (YPO) and World Presidents Organization (WPO) and has held the position of YPO Education, Membership and Chapter Chair.

<table>
<tr><td>DIN</td><td colspan="4">00210342</td></tr>
<tr><td>Age</td><td colspan="4">65 years</td></tr>
<tr><td>Qualifications</td><td colspan="4">Bachelor of Commerce, Sydenham College of Commerce and Economics</td></tr>
<tr><td>Date of Original Appointment</td><td colspan="4">March 27, 2003</td></tr>
<tr><td>Directorships in other companies:</td><td colspan="4">➢ Marico Limited
➢ Marico Consumer Care Limited
➢ Marico Innovation Foundation
➢ Halite Personal Care India Private Limited (a Company under Voluntary liquidation)
➢ Eternis Fine Chemicals Limited
(Formerly known as Hindustan Polyamides and Fibres Limited)
➢ L & T Finance Holdings Limited
➢ Scientific Precision Private Limited
➢ Indian School of Communications Private Limited
➢ Aster DM Healthcare Limited
➢ Ascent India Foundation</td></tr>
<tr><td rowspan="2">Membership / Chairmanship of Board Committees in other Companies:</td><td>Sr. No.</td><td>Name of the Company</td><td>Type of Committee</td><td>Member/Chairman</td></tr>
<tr><td>1.</td><td>L & T Finance Holdings Limited</td><td>Stakeholders' Relationship Committee</td><td>Member</td></tr>
</table>

CORPORATE GOVERNANCE REPORT (Contd.)

a) General Information

Annual General Meeting

Date	:	August 4, 2016
Time	:	9:30 a.m.
Venue	:	Dr. R.H. Patil Auditorium, National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
Book Closure dates	:	Friday, July 29, 2016 to Thursday, August 4, 2016 (both days inclusive).
Dividend payment	:	No dividend was declared/ paid during the period under review.

b) Financial calendar

Financial Year : April 01 - March 31

c) Listing Details :

Name of Stock Exchange	Stock/ Scrip Code	Address	Date of Listing
BSE Limited	539276	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai, Maharashtra 400001. Phone: 022 2272 1234	August 14, 2015
The National Stock Exchange of India Limited (NSE)	KAYA	Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra 400051. Phone: 022 2659 8100	August 14, 2015

Note: Payment of annual listing fee to each of such stock exchanges has been made as prescribed.

d) ISIN : INE587G01015

e) **Company Identification Number (CIN)** : L85190MH2003PLC139763

f) Market Price Data :

BSE Limited		
Month	**High (in Rs.)**	**Low (in Rs.)**
August, 2015	1540.00	1038.90
September, 2015	1249.00	1004.00
October, 2015	1167.75	1013.50
November, 2015	1151.00	875.00
December, 2015	1287.50	905.50
January, 2016	1229.00	930.00
February, 2016	1018.50	785.50
March, 2016	954.00	809.00

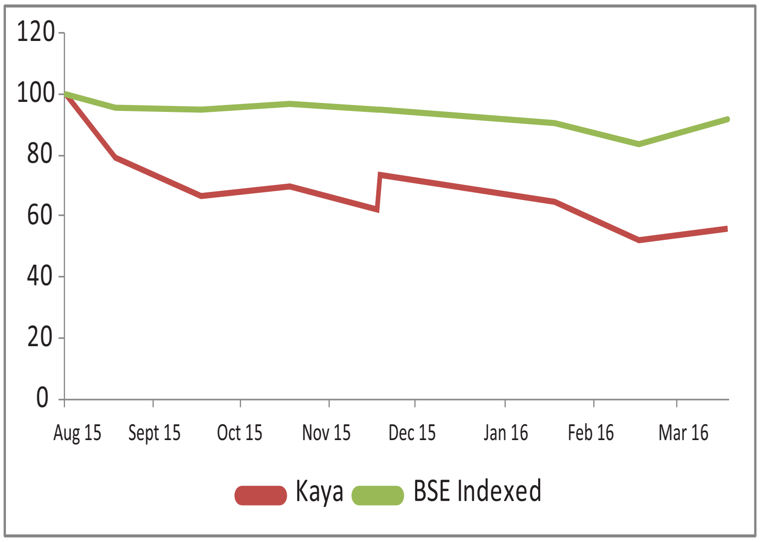
CORPORATE GOVERNANCE REPORT (Contd.)

The National Stock Exchange of India Limited		
Month	**High (in Rs.)**	**Low (in Rs.)**
August, 2015	1498.00	1032.20
September, 2015	1248.00	997.30
October, 2015	1169.00	1011.00
November, 2015	1154.00	875.00
December, 2015	1285.00	915.00
January, 2016	1230.00	911.10
February, 2016	1017.50	711.50
March, 2016	954.50	807.30

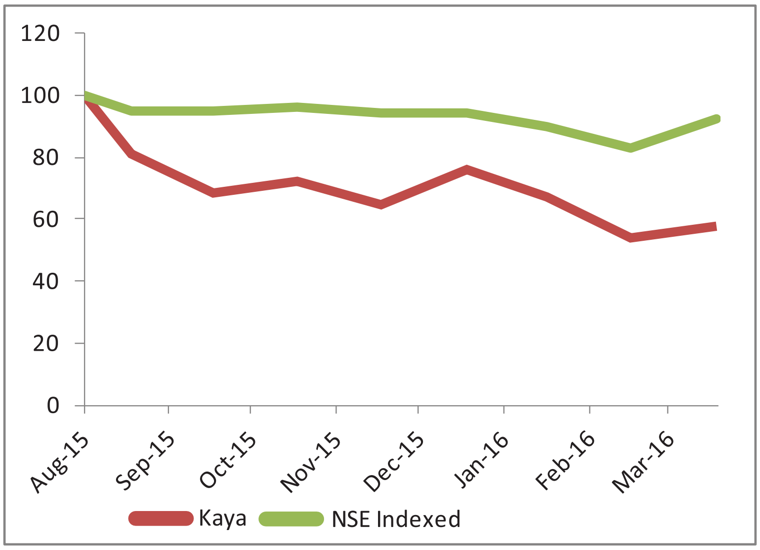
g) **Performance in Comparison**

BSE Sensex, S & P CNX Nifty :

Kaya v/s BSE index



Kaya v/s NSE index



CORPORATE GOVERNANCE REPORT (Contd.)

h) Registrar & Transfer Agents : M/s Link Intime India Private Limited (erstwhile Intime Spectrum Registry Limited), (Unit: Kaya Limited), C -13 Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai 400 078.

i) Share Transfer System : Transfers in physical form are registered by the Registrar and Share Transfer Agents immediately on receipt of completed documents and certificates are issued within 15 days of date of lodgement of transfer.

Invalid share transfers are returned within 15 days of receipt.

All requests for dematerialisation of shares are processed and the confirmation is given to respective Depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited, generally within 21 days.

j) Distribution : of Shareholding as on March 31, 2016

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1- 500	29466	97.15	1088799	8.44
501-1000	382	1.26	282172	2.19
1001-2000	208	0.69	310785	2.41
2001-3000	81	0.27	208332	1.62
3001-4000	36	0.12	128605	1.00
4001-5000	24	0.08	111327	0.86
5001-10000	49	0.16	341303	2.65
10001 & above	84	0.28	10425777	80.84
Total	**30330**	**100.00**	**12897100**	**100.00**

k) Categories of : Shareholding as on March 31, 2016

Category	No. of Shareholders	No. of Shares held	Percentage of Shareholding
Promoters	28	7828924	60.70
Bodies Corporate	561	963829	7.47
Clearing Members	176	111614	0.87
Foreign Portfolio Investors	26	515500	4.00
NRIs	882	202637	1.57
Insurance Companies, Foreign Banks and Non-nationalised banks	13	127801	0.99
Mutual Funds	8	683733	5.30
Trusts/ HUFs	464	119802	0.93
Resident Individuals	28172	2343260	18.17
Total	**30330**	**12897100**	**100.00**

l) Dematerialization of Shares and Liquidity : As on March 31, 2016, 99.88% of shareholding was held in Dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited.

In terms of the notification issued by SEBI, trading in the equity shares of the Company is permitted only in dematerialised form with effect from May 31, 1999

CORPORATE GOVERNANCE REPORT (Contd.)

m) Outstanding GDR / ADR/ Warrants or any convertible instruments, conversion date and impact on equity : The Company has not issued any GDR / ADR / Warrants or any convertible instruments.

n) Shareholders / Investors Complaint's received and redressed : The Company gives utmost priority to the interests of the investors. All the requests / complaints of the shareholders have been addressed to the satisfaction of the shareholders within the statutory time limits. During the financial year ended March 31, 2016, 72 complaints were received from the shareholders as per the details given below:

Nature of Complaint	Received	Resolved
Non-Receipt of Dividend	N.A.	N.A.
Non-Receipt of Shares lodged for Transfer	–	–
Others (e.g. non-receipt of Annual Report etc.)	72	72
Total	–	–

o) Address for correspondence :

<u>**Shareholding related queries**</u>

Company's Registrar & Transfer Agent:

M/s Link Intime India Pvt Limited
Unit: Kaya Limited
C -13 Pannalal Silk Mills Compound,
LBS Road, Bhandup (West),
Mumbai 400 078.
Tel.: 022 - 25946970, Fax: 022 - 25946969
E-mail: rnt.helpdesk@linkintime.co.in

General Correspondence

Company Secretary & Compliance Officer
Kaya Limited
23/C, Mahal Industrial Estate,
Mahakali Caves Road, Near Paper Box Lane,
Andheri (East), Mumbai 400 093
Tel.: 022 – 6619 5000, Fax:022 – 6619 5050
E-mail: investorrelations@kayaindia.net

AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of Kaya Limited

We have examined the compliance of conditions of Corporate Governance by Kaya Limited, for the year ended March 31, 2016 as stipulated in Regulations 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C , D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (collectively referred to as "SEBI Listing Regulations, 2015").

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance, issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations, 2015.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Price Waterhouse**
Firm Registration Number: 301112E
Chartered Accountants

Uday Shah
Partner
Membership Number : 46061

Place: Mumbai
Date: May 26, 2016

CHIEF EXECUTIVE OFFICER (CEO) / CHIEF FINANCIAL OFFICER (CEO) CERTIFICATION

We hereby certify that:

A. We have reviewed financial statements for the year ended March 31, 2016 and to the best of our knowledge and belief:

 (1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

 (2) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent or illegal or violative of the Company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

D. We have indicated to the auditors and the Audit Committee:

 (1) significant changes in internal control over financial reporting during the year;

 (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

 (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

E. We hereby declare that all the members of the Board of Directors and Senior Management have confirmed compliance with the Code of Conduct as adopted by the Company.

For **Kaya Limited**

Harsh Mariwala
Chairman & Managing Director

Date: May 26, 2016

For **Kaya Limited**

Dharmendar Jain
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KAYA LIMITED

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **Kaya Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements to 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of 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 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.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by 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, 2016, and its loss and its cash flows for the year ended on that date.

INDEPENDENT AUDITOR'S REPORT (Contd.)

Report on Other Legal and Regulatory Requirements

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (hereinafter referred to as the "Order"), 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 the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. 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 ere 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 standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

    (e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 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 A.

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

        i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2016 on its financial position in its standalone financial statements – Refer Note 8 and Note 19(a);

        ii. The Company has long-term contracts as at March 31, 2016 for which there are no material foreseeable loses. The Company did not have any derivative contracts as at March 31, 2016;

        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2016.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Uday Shah
Partner
Membership Number: 46061

Place : Mumbai
Date : May 26, 2016

ANNEXURE A TO INDEPENDENT AUDITOR'S REPORT

Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of Kaya Limited on the standalone financial statements for the year ended March 31, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Kaya Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

3. 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 on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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.

ANNEXURE A TO INDEPENDENT AUDITOR'S REPORT (Contd.)

Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of Kaya Limited on the standalone financial statements for the year ended March 31, 2016

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, 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.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Uday Shah
Partner
Membership Number: 46061

Place : Mumbai
Date : May 26, 2016

ANNEXURE B TO INDEPENDENT AUDITOR'S REPORT

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Kaya Limited on the standalone financial statements as of and for the year ended March 31, 2016

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

(c) The Company does not own any immovable properties as disclosed in Note 9 on fixed assets to the financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.

ii. The physical verification of inventory, including stocks with third parties, have been conducted at reasonable intervals by the Management during the year. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3 (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Companies Act, 2013 in respect of the investments made by it. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 of the Companies Act, 2013.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of labour welfare fund and employees' state insurance, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, sales tax, income tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of duty of sales tax, customs and duty of excise which have not been deposited on account of any dispute. The particulars of dues of income tax, service tax and value added tax as at March 31, 2016 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income-tax	1,465,387,563	Assessment Year 2008 – 2009	Commissioner of Income tax (A)
Income Tax Act, 1961	Income-tax	1,760,681	Assessment Year 2012 – 2013	Commissioner of Income tax (A)
Andhra Pradesh Value Added Tax Act, 2005	VAT	5,398,405	April 2009 to March 2012	Commercial Tax Officer
Kerala Value Added Tax Act, 2003	VAT	1,284,842	April 2011 to March 2014	Deputy Commissioner of Appeals
Kerala Value Added Tax Act, 2003	VAT	400,000	April 2014 to March 2015	Assistant Commissioner
Delhi Value Added Tax Act, 2004	VAT	513,581	April 2009 to March 2010	Assistant Commissioner
The Uttar Pradesh Value Added Tax Act 2008	VAT	3,536,801	April 2010 to March 2013	Additional Commissioner of Appeals
Maharashtra Value Added Tax Act, 2002	VAT	26,058,677	April 2007 to March 2008 and April 2010 to March 2011	Joint Commissioner of Appeals
Finance Act, 1994	Service Tax	22,138,889	December 2004 to March 2006 and April 2011 to March 2012	Commissioner of Service Tax
Finance Act, 1994	Service Tax	21,540,755	April 2008 to March 2012	Custom Excise & Service Tax Appellate Tribunal

ANNEXURE B TO INDEPENDENT AUDITOR'S REPORT (Contd.)

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Kaya Limited on the standalone financial statements for the year ended March 31, 2016

viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any bank as at balance sheet date. The Company does not have any loans or borrowings from any financial institution or Government, nor has it issued any debentures as at the balance sheet date.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for a fraud perpetrated by an employee relating to embezzlement of sales collection, claiming ineligible incentives etc., resulting into an estimated net loss of Rs. 7,290,414 to the Company, for which the Management has initiated legal action and filed insurance claim, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.

xi. The Company has not paid/ provided for managerial remuneration during the year. Therefore the provisions of clause (xi) of the said order are not applicable to the Company.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Uday Shah
Partner
Membership Number: 46061

Place : Mumbai
Date : May 26, 2016

BALANCE SHEET AS AT MARCH 31, 2016

(Figures in Rupees)

	Note	As at March 31, 2016	As at March 31, 2015
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	**3(a)**	128,971,000	–
Share capital suspense account	**3(b)**	–	128,971,000
Reserves and surplus	**4**	1,785,816,284	1,865,885,497
		1,914,787,284	1,994,856,497
NON - CURRENT LIABILITIES			
Long-term provisions	**5**	62,365,919	54,357,766
		62,365,919	54,357,766
CURRENT LIABILITIES			
Trade payables	**6**		
Total outstanding dues of micro enterprises and small enterprises		–	–
Total outstanding dues of creditors other than micro enterprises and small enterprises		174,199,049	150,698,731
Other current liabilities	**7**	565,594,266	567,623,122
Short-term provisions	**8**	65,852,665	69,854,948
		805,645,980	788,176,801
Total		**2,782,799,183**	**2,837,391,064**
ASSETS			
NON - CURRENT ASSETS			
Fixed assets			
- Tangible assets	**9**	441,922,505	319,113,939
- Intangible assets	**9**	16,375,113	1,828,714
- Capital work-in-progress		15,316,477	31,804,433
		473,614,095	352,747,086
Non-current investments	**10**	435,111,000	434,241,000
Deferred tax assets	**38**	–	–
Long-term loans and advances	**11**	171,295,557	189,193,071
Other non-current assets	**12**	1,670,002	1,532,593
		608,076,559	624,966,664
CURRENT ASSETS			
Current Investments	**13**	882,365,399	1,519,028,844
Inventories	**14**	365,388,356	230,463,605
Trade receivables	**15**	14,782,374	4,498,830
Cash and bank balances	**16**	17,304,801	33,150,327
Short-term loans and advances	**17**	415,835,656	63,244,376
Other current assets	**18**	5,431,943	9,291,332
		1,701,108,529	1,859,677,314
Total		**2,782,799,183**	**2,837,391,064**

The notes are an integral part of these standalone financial statements.

As per our attached report of even date.

For Price Waterhouse
Chartered Accountants
Firm Registration Number: 301112E

For and on behalf of the Board of Directors of Kaya Limited

Uday Shah
Partner
Membership No.: 46061
Mumbai: May 26, 2016

Harsh Mariwala
Chairman and Managing Director
DIN : 00210342

Nikhil Khattau
Director and Chairman of Audit and Risk Committee
DIN : 00017880

Dharmendar B Jain
Chief Financial Officer
Mumbai: May 26, 2016

Almas Badar
Company Secretary and Compliance officer

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

(Figures in Rupees)

	Note	Year ended March 31, 2016	Year ended March 31, 2015
Revenue from operations	**21**	1,853,193,465	1,740,757,181
Other income	**22**	123,660,915	160,131,086
TOTAL REVENUE		**1,976,854,380**	**1,900,888,267**
EXPENSES:			
Cost of materials consumed	**23**	130,337,193	123,739,941
Purchases of stock-in-trade		6,042,220	5,232,586
Changes in inventories of finished goods, work-in-process and stock-in-trade	**24**	(21,808,686)	(17,314,248)
Employee benefits expenses	**25**	514,085,279	430,069,100
Finance costs	**26**	35,897	80,573
Depreciation and amortisation expenses	**9**	96,964,165	63,932,597
Other expenses	**27**	1,337,440,934	1,140,466,247
TOTAL EXPENSES		**2,063,097,002**	**1,746,206,796**
(LOSS) / PROFIT BEFORE TAX		**(86,242,622)**	**154,681,471**
Tax Expenses			
- Current tax		–	–
- Income tax for earlier years		–	(227,118)
		–	(227,118)
(LOSS) / PROFIT FOR THE YEAR		**(86,242,622)**	**154,908,589**
Earnings per equity share: [Nominal Value per share: Rs. 10 (Previous year - Rs. 10)]			
Basic (Refer note 37)		(6.69)	12.01
Diluted (Refer note 37)		(6.69)	12.00

The notes are an integral part of these standalone financial statements.

As per our attached report of even date.

For Price Waterhouse
Chartered Accountants
Firm Registration Number: 301112E

Uday Shah
Partner
Membership No.: 46061
Mumbai: May 26, 2016

For and on behalf of the Board of Directors of Kaya Limited

Harsh Mariwala
Chairman and Managing Director
DIN : 00210342

Nikhil Khattau
Director and Chairman of Audit and Risk Committee
DIN : 00017880

Dharmendar B Jain
Chief Financial Officer
Mumbai: May 26, 2016

Almas Badar
Company Secretary and Compliance officer

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(Figures in Rupees)

	Year ended March 31, 2016	Year ended March 31, 2015
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	**(86,242,622)**	**154,681,471**
Adjustments for:		
Depreciation and amortisation expenses	96,964,165	63,932,597
Finance costs	35,897	80,573
Interest income	(23,483,607)	(416,835)
Liabilities written back to the extent no longer required (net)	(6,947,265)	(6,847,036)
Employee stock option charge	6,173,409	3,265,515
Loss on sale / discarding of assets (net)	6,908,833	111,328
Profit on sale of current investments	(91,327,924)	(141,795,514)
Provision for diminution in the value of current investments written back	–	(3,300,953)
Dividend Income	(1,130,685)	(1,668,761)
Provision for doubtful debts	2,000,000	–
	(10,807,177)	(86,639,086)
Operating profit / (loss) before working capital changes	**(97,049,799)**	**68,042,385**
Adjustments for:		
Increase in inventories	(134,924,751)	(74,517,093)
Increase in trade receivables	(12,283,544)	(832,755)
Increase in loans and advances and other current and non-current assets	(12,549,034)	(26,383,992)
Increase in trade payables and other current and non-current liabilities and provisions	42,458,323	100,908,246
	(117,299,006)	**(825,594)**
Cash (used in) / generated from operations	**(214,348,805)**	**67,216,791**
Taxes paid (net of refund)	2,343,848	8,744,524
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	**(216,692,653)**	**58,472,267**

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016 (Contd.)

(Figures in Rupees)

		Year ended March 31, 2016	Year ended March 31, 2015
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	(229,907,763)	(233,633,502)
	Sale of fixed assets	–	112,207
	Investments in a subsidiary	(870,000)	(3,076,000)
	Divestment of subsidiary (net)	–	(139,330,917)
	Investments in Inter Corporate Deposits	(300,000,000)	–
	Sale of Current Investments - in mutual funds (net)	727,991,369	329,786,741
	Dividend income received	1,130,685	1,668,761
	Interest income received	2,538,733	981,959
	NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	**200,883,024**	**(43,490,751)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Finance costs paid	(35,897)	(80,573)
	NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	**(35,897)**	**(80,573)**
D	**NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS [A + B + C]**	**(15,845,526)**	**14,900,943**
E	**Cash and cash equivalents - opening balance (Refer note 16)**	**33,150,327**	**13,824,156**
F	**Cash and cash equivalents - Acquired pursuant to Amalgamation (Refer note 1B(f))**	**–**	**4,425,228**
G	**Cash and cash equivalents - closing balance (Refer note 16) [D + E]**	**17,304,801**	**33,150,327**

Notes:

1. The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard – 3 on Cash Flow Statements.
2. For non-cash transactions relating to investing and financing activities pursuant to the Scheme - refer Note 1B.
3. Previous year figures have been regrouped where necessary.
4. The notes are an integral part of these standalone financial statements.

As per our attached report of even date.

For Price Waterhouse
Chartered Accountants
Firm Registration Number: 301112E

Uday Shah
Partner
Membership No.: 46061
Mumbai: May 26, 2016

For and on behalf of the Board of Directors of Kaya Limited

Harsh Mariwala
Chairman and Managing Director
DIN : 00210342

Nikhil Khattau
Director and Chairman of Audit and Risk Committee
DIN : 00017880

Dharmendar B Jain
Chief Financial Officer
Mumbai: May 26, 2016

Almas Badar
Company Secretary and Compliance officer

NOTES TO STANDALONE FINANCIAL STATEMENTS

1A. GENERAL INFORMATION

Kaya Limited ('Kaya' or the 'Company'), headquartered in Mumbai, India, carries on skin care business through Kaya Skin Clinics. The Clinics offer skin care solutions using scientific dermatological procedures and products. The Company also sells skin care products through Kaya Skin Bars and Third Party Stores.

1B. SCHEME OF ARRANGEMENT:

a. On September 29, 2014 the Board of Directors of Marico Kaya Enterprises Limited ('MaKE'), the erstwhile holding company and the Company, had approved the Scheme of Arrangement ('the Scheme') for Amalgamation of MaKE with the Company with effect from appointed date April 1, 2014. The Hon'ble High Court of Bombay had approved the Scheme vide its order dated April 18, 2015, and thereafter was filed with Registrar of Companies on May 13, 2015 (effective date).

b. In terms of the Scheme, all assets, liabilities and reserves of MaKE were vested with the Company with effect from April 1, 2014 and were recorded at their respective book values in accordance with the Scheme, under the pooling of interest method as per AS 14 – Accounting for Amalgamation.

c. All the inter-company balances between the Company and MaKE as at April 1, 2014 stand cancelled.

d. The Company had issued 12,897,100 equity shares of Rs. 10/- each, fully paid-up, of the Company to the holders of Equity shares of Marico Kaya Enterprises Limited whose names were registered in the register of members on the record date i.e. May 27, 2015, without payment being received in cash, in the ratio of 1 (one) fully paid-up equity shares of Rs. 10/- each of the Company for every 1 (one) fully paid-up equity shares of Rs. 10 held in Marico Kaya Enterprises Limited. Pending issue of such shares as at March 31, 2015, the face value of shares to be issued was accounted under Share Capital Suspense Account (Refer notes 3(a) & 3(b)).

e. Further, in terms of the Scheme, the existing share capital of the Company of Rs. 178,489,750 was reduced upon the Scheme becoming effective i.e. on May 13, 2015, with corresponding adjustment with securities premium.

f. Accordingly, in terms of the Scheme, after giving effect to the aforesaid, the difference has been adjusted against the Securities Premium Account as under :

Particulars	Amount in Rs.	Amount in Rs.
Book value of assets, liabilities and reserves of MaKE		
Assets		
Non-current investments	1,818,416,875	
Long-term loans and advance	1,135,593,090	
Current investments	18,874,755	
Cash and bank balances	4,425,228	
Other current assets	168,540	
Total (i)	**2,977,478,488**	
Liabilities		
Trade payables	1,299,070	
Other current liabilities and provisions	4,644,882	
Total (ii)	**5,943,952**	

NOTES TO STANDALONE FINANCIAL STATEMENTS

Particulars	Amount in Rs.	Amount in Rs.
Reserves		
Capital reserve	265,281,808	
Securities premium reserve	2,576,710,294	
Surplus in statement of profit and loss	571,434	
Total (iii)	**2,842,563,536**	
Book value of assets, liabilities and reserves of MaKE		
12,897,100 Equity Shares of Rs. 10 each of the Company issued	128,971,000	
Book value of Investment by MaKE in Kaya Limited (A)		1,818,416,875
Equity Shares of Kaya Limited held by MaKE cancelled (B)		178,489,750
Adjustments in securities premium in terms of the Scheme (A-B)		**1,639,927,125**

g. In terms of the Scheme, the authorized Share capital of the Company has been increased by the authorized share capital of MaKE (from Rs. 200,000,000 to Rs. 340,000,000) upon the Scheme being effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of standalone financial statements:

These standalone financial statements have been prepared in accordance with the generally accepted accounting principles in India ('GAAP') under the historical cost convention on accrual basis. Pursuant to section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these standalone financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) of the Companies Act, 1956 [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and services rendered and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non -current classification of assets and liabilities.

The Ministry of Corporate Affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated March 30, 2016. The said notification read with Rule 3(2) of the Companies (Accounting Standards) Rules, 2006 is applicable to accounting period commencing on or after the date of notification i.e. 1 April 2016.

b) Use of Estimates:

The preparation of the standalone financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the standalone financial statements and reported amounts of income and expenses during the year. Examples of such estimates include future obligations under employee retirement benefit plans, income taxes, the useful lives and provision for impairment of fixed assets and intangible assets.

NOTES TO STANDALONE FINANCIAL STATEMENTS

Management believes that the estimates used in the preparation of standalone financial statements are prudent and reasonable. Future results could differ from these estimates.

c) Tangible assets, intangible assets and capital work-in-progress:

Tangible assets and intangible assets are stated at cost of acquisition, less accumulated depreciation / amortisation and impairment loss, if any. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation.

Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the year end.

d) Depreciation / amortization:

1) Tangible assets

(i) Depreciation is provided on the straight line method on the basis of the rates determined based on the estimated useful lives of the assets which are higher than the rates prescribed under Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets.

Assets	**Useful Life**
Computer hardware, related peripherals etc.	3 years
Technologically advanced machineries	2 to 7 years
Other plant and equipment	2 to 9 years
Furniture and fixtures (Including lease hold improvements)	9 years

(ii) The useful life of leasehold improvements are estimated taking into consideration lease period including the renewal option. Leasehold improvements includes provision for site restoration costs which are recognised based on the estimates made for probable liability towards restoration of these premises at the end of lease period.

(iii) Assets individually costing Rs. 5,000 or less are depreciated fully in the year of acquisition.

(iv) Depreciation on additions during the year is charged from the month in which the assets are capitalized and for deletions up to the month prior to the month in which the asset is disposed off.

(v) Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost or impaired amount are recognised in the Statement of Profit and Loss.

2) Intangible assets

Intangible assets are amortised over their respective individual estimated useful lives on a straight line basis, but not exceeding the period given here under:

Assets	**Useful Life**
Computer softwares	3 and 10 years
Trade marks / copyrights	10 years

e) Impairment:

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher

NOTES TO STANDALONE FINANCIAL STATEMENTS

of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

f) Investments:

Long-term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognize a decline, other than temporary. Current investments are valued at lower of cost and fair value, computed individually for each investment. In case of investments in mutual funds which are unquoted, net asset value is taken as fair value.

g) Inventories:

1) Raw materials, packing materials, stores, spares and consumables are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products in which they will be used are expected to be sold at or above cost.

2) Finished goods, stock-in-trade and work-in-progress are valued at lower of cost and net realizable value.

3) Cost is ascertained on weighted average method and in case of finished products and work-in-progress; it includes appropriate production overheads and duties.

h) Revenue recognition:

1) Income from services is recognized on rendering of services and is recorded net of discounts and service tax.

2) Income from package sale is recognized based on the utilisation of sessions by the customers.

3) Sale of products is recognized on delivery, which is when risks and rewards of ownership passed to the customers, and are recorded net of trade discounts, sales tax and value added tax.

4) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

5) Dividend income is recognised when the right to receive dividend is established.

i) Employee benefits:

1) Long-term employee benefits

(i) Defined contribution plans

The Company has defined contribution plan for post employment benefits in the form of provident fund, etc. The Company's contributions to defined contribution plans are charged to the Statement of Profit and Loss as incurred.

(ii) Defined benefit plans

The Company has defined benefit plans for post employment benefits in the form of gratuity. Liability for defined benefit plans is provided on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary and contributed to employees Gratuity Fund. The actuarial valuation method used for measuring the liability is the projected unit credit method.

NOTES TO STANDALONE FINANCIAL STATEMENTS

(iii) Compensated absences

The employees are entitled to accumulate leave subject to certain limits, for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each Balance Sheet date on the basis of an independent actuarial valuation.

2) Actuarial gains and losses due to changes in actuarial assumptions are recognised immediately in the Statement of Profit and Loss as income or expense.

j) Foreign currency transactions:

1) Transactions in foreign currencies are recognised at the prevailing exchange rates on the transaction dates. Realised gains and losses on settlement of foreign currency transactions are recognised in the Statement of Profit and Loss.

2) Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates, and the resultant exchange difference is recognised in the Statement of Profit and Loss.

k) Accounting for taxes on income:

1) Provision for current tax is made, based on the tax payable under the Income Tax Act, 1961.

2) Minimum Alternate Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

3) Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets on unabsorbed tax losses and unabsorbed tax depreciation are recognized only when there is a virtual certainty of realization and other items are recognized when there is a reasonable certainty of realisation.

l) Assets taken on lease:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as expenditure in the Statement of Profit and Loss on a straight line basis over the lease term.

m) Accounting for provision, contingent liabilities and contingent assets:

Provisions are recognised, when there is a present obligation as a result of past events, where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made. Contingent Liabilities are disclosed only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company, or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for. Contingent Assets are not recognised in the standalone financial statements.

n) Utilisation of Securities Premium Reserve

Expenses incurred on issue of shares are adjusted against the Securities Premium Reserve.

NOTES TO STANDALONE FINANCIAL STATEMENTS

o) Employee Share Based Payments

Equity stock options granted are accounted as per the accounting treatment prescribed by the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India as required by the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense, equal to amortised portion of value of lapsed portion and the credit to deferred employee compensation expense equal to the un-amortised portion.

p) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share is the net profit for the year after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity 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 is adjusted for the effects of all dilutive potential equity shares.

(Figures in Rupees)

	As at March 31, 2016	**As at March 31, 2015**
3. SHARE CAPITAL AND SHARE CAPITAL SUSPENSE ACCOUNT		
(a) Share Capital		
(i) Authorised		
34,000,000 (20,000,000) equity shares of Rs. 10/- each (Refer note 1B(g))	340,000,000	200,000,000
(i) Issued, subscribed and fully paid-up		
12,897,100 (Nil) equity shares of Rs. 10/- each fully paid-up	128,971,000	–
Total	**128,971,000**	**–**
(b) Share capital suspense account		
Share capital suspense account (Refer note 1B(d))	–	128,971,000
Total	**–**	**128,971,000**

(c) Reconciliation of number of shares

	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Balance as at the beginning of the year	–	–	17,848,975	178,489,750
Add: Shares alloted during the year (Refer note 1B(d))	12,897,100	128,971,000	–	–
Less: Share reduction on account of the Scheme (Refer Note 1B(e))	–	–	17,848,975	178,489,750
Balance as at the end of the year	**12,897,100**	**128,971,000**	**–**	**–**

NOTES TO STANDALONE FINANCIAL STATEMENTS

(d) Rights, preferences and restrictions attached to equity shares -

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(e) Shares held by the holding company:

Refer Note 1(B)

(f) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company. (Refer Note 1B(d))

Name of the Shareholder	As at March 31, 2016		As at March 31, 2015	
	No. of Shares held	% of Holding	No. of Shares held #	% of Holding
Harsh C Mariwala with Kishore V Mariwala (As representative of Valentine Family Trust)	1,467,520	11.38%	1,467,520	11.38%
Harsh C Mariwala with Kishore V Mariwala (As representative of Aquarius Family Trust)	1,467,520	11.38%	1,467,520	11.38%
Harsh C Mariwala with Kishore V Mariwala (As representative of Taurus Family Trust)	1,467,520	11.38%	1,467,520	11.38%
Harsh C Mariwala with Kishore V Mariwala (As representative of Gemini Family Trust)	1,467,520	11.38%	1,467,520	11.38%

reflects number of shares that were issued pursuant to the scheme.

(g) Shares reserved for issue under options :

The Board of Directors of the Company had granted 135,771 stock options to certain eligible employees pursuant to the Kaya Limited Employee Stock Option Scheme 2014 and Kaya Limited Employee Stock Option Scheme 2014 (Kaya Middle East FZE) (together referred as 'Kaya ESOP'). One stock option is represented by one equity share of Kaya Limited. The vesting date for Kaya Limited Employee Stock Option Scheme 2014 and Kaya Limited Employee Stock Option Scheme 2014 (Kaya Middle East FZE) is March 31, 2016 and March 31, 2017, respectively. The Exercise Period is of one year from the vesting date. The Scheme is administered by the Board of Kaya Limited.

	As at March 31, 2016 Kaya ESOP	As at March 31, 2015 Kaya ESOP
Weighted average share price of options exercised	NA	NA
Number of options granted, exercised, and forfeited		
Balance as at beginning of the year	135,771	–
Granted during the year	–	135,771
Less : Exercised during the year	–	–
Forfeited / lapsed during the year	4,857	–
Balance as at end of the year	**130,914**	**135,771**
Percentage to current paid-up equity share capital of the Company	1.02%	1.05%

The Company has applied the intrinsic value based method of accounting for determining compensation cost for its stock based compensation plan and has accordingly accounted Rs. 6,173,409 (Previous Year Rs. 3,265,515) as compensation cost under the 'intrinsic value' method (Refer note 25). Had the Company considered 'fair value' method for accounting of compensation cost, the Company's net income and Basic and Diluted earnings per share as reported would have reduced to the pro-forma amounts as indicated:

Particulars	For the year ended March 31, 2016 (Rs.)	For the year ended March 31, 2015 (Rs.)
Net Profit / (Loss) after tax as reported	(86,242,622)	154,908,589
Add: Stock-based employee compensation expense included in Net profit / (Loss)	6,173,409	3,265,515
Less: Stock-based employee compensation expense as per Fair Value	7,750,964	7,122,404
Adjusted pro-forma	(87,820,177)	151,051,700
Basic earnings per share as reported (Refer note 37)	(6.69)	12.01
Pro-forma basic earnings per share	(6.80)	11.71
Diluted earnings per share as reported (Refer note 37)	(6.69)	12.00
Pro-forma diluted earnings per share	(6.80)	11.70

The following assumptions were used for calculation of fair value of grants:

	Kaya ESOP
Risk-free interest rate (%)	8.47%
Expected life of options (years)	1.98
Expected volatility (%)	65.00%
Dividend yield	0.00%

(Figures in Rupees)

	As at March 31, 2016	As at March 31, 2015
4. RESERVES AND SURPLUS		
Capital Reserve:		
Balance as at the beginning of the year	265,281,808	–
Add : Arising pursuant to the Scheme (Refer Note 1B(f))	–	265,281,808
Balance as at the end of the year	265,281,808	265,281,808
Securities premium reserve:		
Balance as at the beginning of the year	2,149,760,217	1,212,977,048
Add : Arising pursuant to the Scheme (Refer Note 1B(f))	–	2,576,710,294
Less : Adjusted pursuant to the Scheme (Refer Note 1B(f))	–	1,639,927,125
Balance as at the end of the year	2,149,760,217	2,149,760,217
(Deficit) in the Statement of Profit and Loss:		
Balance as at the beginning of the year	(552,422,043)	(707,902,066)
Add : Arising pursuant to the Scheme (Refer Note 1B(f))	–	571,434
Profit / (Loss) for the year	(86,242,622)	154,908,589
Balance as at the end of the year	(638,664,665)	(552,422,043)
Employee Stock Option Outstanding Account (Refer note 3(g)):		
Balance as at the beginning of the year	3,265,515	–
Add: Additions during the year	6,173,409	3,265,515
Balance as at the end of the year	9,438,924	3,265,515
Total	**1,785,816,284**	**1,865,885,497**

NOTES TO STANDALONE FINANCIAL STATEMENTS

(Figures in Rupees)

		As at March 31, 2016	As at March 31, 2015
5.	**LONG-TERM PROVISIONS**		
	Other provisions:		
	Provision for equalisation of rent expenses (Refer note (a) below)	58,805,919	38,207,766
	Provision for site restoration cost (Refer note (b) below)	3,560,000	16,150,000
	Total	**62,365,919**	**54,357,766**

a) Provision for equalisation of rent expenses represents amounts recorded towards recognition of rent expenses on straight line basis over the lease period.

b) Provision for site restoration cost

Balance as at the beginning of the year	18,530,000	14,790,000
Additions during the year	360,000	3,740,000
Less: Provision utilised /written back during the year	(14,690,000)	–
Balance as at the end of the year	**4,200,000**	**18,530,000**
Classified as Non-current:	3,560,000	16,150,000
Classified as current:	640,000	2,380,000
Total	**4,200,000**	**18,530,000**

The Company uses various leased premises. A provision for site restoration cost is recognised for the estimates made for probable liability towards the restoration of these premises at the end of lease period. Provision written back during the year represents site restoration cost written back due to revision in estimated probable liability towards restoration of leased premises.

6.	**TRADE PAYABLES**		
	Total outstanding dues of micro enterprises and small enterprises	–	–
	Total outstanding dues of creditors other than micro enterprises and small enterprises:		
	Trade payables	165,727,029	145,153,519
	Payable to a related party (Refer note 35)	8,472,020	5,545,212
	Total	**174,199,049**	**150,698,731**

The disclosure pursuant to the said Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act') are as follows:

Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end.	–	–
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end.	–	–
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year.	–	–
Interest paid other than under Section 16 of MSMED Act to suppliers registered under the MSMED Act, beyond the appointed day during the year.	–	–
Interest paid under Section 16 of MSMED Act to suppliers registered under the MSMED Act, beyond the appointed day during the year.	–	–
Interest due and payable towards suppliers registered under MSMED Act for payments already made.	–	–
Further interest remaining due and payable for earlier years.	–	–

NOTES TO STANDALONE FINANCIAL STATEMENTS

(Figures in Rupees)

		As at March 31, 2016	As at March 31, 2015
7.	**OTHER CURRENT LIABILITIES**		
	Advances from customers	463,708,504	463,613,965
	Book overdraft	2,920,839	7,727,749
	Statutory dues including provident fund and tax deducted at source	17,006,711	16,755,129
	Creditors for capital goods	1,537,547	11,571,273
	Employee benefits payable	70,410,002	56,747,134
	Others	10,010,663	11,207,872
	Total	**565,594,266**	**567,623,122**
8.	**SHORT-TERM PROVISIONS**		
	Provision for employee benefits:		
	Provision for gratuity (Refer Note 33)	9,466,498	8,288,410
	Provision for compensated absences (Refer Note 33)	15,081,112	14,532,642
		24,547,610	22,821,052
	Other provisions:		
	Provision for equalisation of rent expenses (Refer note 5(a))	6,628,655	10,617,496
	Provision for site restoration cost (Refer note 5(b))	640,000	2,380,000
	Other Provisions (Refer note below)	34,036,400	34,036,400
		41,305,055	47,033,896
	Total	**65,852,665**	**69,854,948**

Other Provisions:

Other Provisions relates to a statutory matter. Any additional information in this regard can be expected to significantly prejudice the position of the Company.

Opening balance	34,036,400	34,036,400
Add: Amounts provided during the year	–	–
Balance as at the end of the year	**34,036,400**	**34,036,400**

NOTES TO STANDALONE FINANCIAL STATEMENTS

9. Fixed Assets

(Figures in Rupees)

	GROSS BLOCK				DEPRECIATION/AMORTISATION				IMPAIRMENT			NET BLOCK
	As at April 1, 2015	Additions	Deductions / Adjustments	As at Mar 31, 2016	Upto April 1, 2015	For the year	Deductions / Adjustments	Upto Mar 31, 2016	Upto April 1, 2015	Deductions / Adjustments	Upto Mar 31, 2016	As at Mar 31, 2016
Tangible assets												
Plant and equipment	777,155,380	134,926,625	13,462,758	898,619,247	496,070,681	60,842,025	11,504,376	545,408,330	101,733,654	(1,805,036)	99,928,618	253,282,299
Office equipment	50,730,927	3,712,432	5,243,793	49,199,566	33,896,125	2,856,809	4,301,577	32,451,357	9,605,681	(851,359)	8,754,322	7,993,887
Furniture and fixtures (Refer note below)	200,538,262	35,121,425	12,181,514	223,478,173	88,772,563	14,311,991	7,418,308	95,666,246	52,190,233	(2,594,569)	49,595,664	78,216,263
Leasehold improvements	87,584,407	50,507,797	13,389,040	124,703,164	13,458,527	16,648,158	9,001,150	21,105,535	1,167,573	–	1,167,573	102,430,056
Total – A	**1,116,008,976**	**224,268,279**	**44,277,105**	**1,296,000,150**	**632,197,896**	**94,658,983**	**32,225,411**	**694,631,468**	**164,697,141**	**(5,250,964)**	**159,446,177**	**441,922,505**
Intangible assets												
Computer softwares	26,286,924	16,959,684	68,250	43,178,358	23,216,258	2,305,182	68,243	25,453,197	1,350,048	–	1,350,048	16,375,113
Trademarks / copyrights	152,607	–	152,607	–	44,511	–	44,511	–	–	–	–	–
Total – B	**26,439,531**	**16,959,684**	**220,857**	**43,178,358**	**23,260,769**	**2,305,182**	**112,754**	**25,453,197**	**1,350,048**	**–**	**1,350,048**	**16,375,113**
Total – A + B	**1,142,448,507**	**241,227,963**	**44,497,962**	**1,339,178,508**	**655,458,665**	**96,964,165**	**32,338,165**	**720,084,665**	**166,047,189**	**(5,250,964)**	**160,796,225**	**458,297,618**

Note:
Furniture and fixtures also includes leasehold improvements, the amounts for which are not separately identifiable.

9. **Fixed Assets**

(Figures in Rupees)

	GROSSBLOCK				DEPRECIATION/AMORTISATION				IMPAIRMENT			NETBLOCK
	As at April 1, 2014	Additions	Deductions / Adjustments	As at Mar 31, 2015	Upto April 1, 2014	For the year	Deductions / Adjustments	Upto Mar 31, 2015	Upto April 1, 2014	Deductions / Adjustments	Upto Mar 31, 2015	As at Mar 31, 2015
Tangible assets												
Plant and equipment	752,630,200	116,743,051	92,217,871	777,155,380	543,135,542	44,437,247	91,502,108	496,070,681	102,198,843	(465,189)	101,733,654	179,351,045
Office equipment	49,035,556	4,160,761	2,465,390	50,730,927	33,773,924	2,375,316	2,253,115	33,896,125	9,716,631	(110,950)	9,605,681	7,229,121
Furniture and fixtures (Refer note below)	179,433,589	31,171,687	10,067,014	200,538,262	89,696,939	8,472,158	9,396,534	88,772,563	52,989,077	(798,844)	52,190,233	59,575,466
Leasehold improvements	39,192,613	48,391,794	–	87,584,407	6,834,772	6,623,755	–	13,458,527	1,167,573	–	1,167,573	72,958,307
Total – A	**1,020,291,958**	**200,467,293**	**104,750,275**	**1,116,008,976**	**673,441,177**	**61,908,476**	**103,151,757**	**632,197,896**	**166,072,124**	**(1,374,983)**	**164,697,141**	**319,113,939**
Intangible assets												
Computer softwares	24,950,632	1,336,292	–	26,286,924	21,192,137	2,024,121	–	23,216,258	1,350,048	–	1,350,048	1,720,618
Trademarks / copyrights	152,607	–	–	152,607	44,511	–	–	44,511	–	–	–	108,096
Total – B	**25,103,239**	**1,336,292**	**–**	**26,439,531**	**21,236,648**	**2,024,121**	**–**	**23,260,769**	**1,350,048**	**–**	**1,350,048**	**1,828,714**
Total – A + B	**1,045,395,197**	**201,803,585**	**104,750,275**	**1,142,448,507**	**694,677,825**	**63,932,597**	**103,151,757**	**655,458,665**	**167,422,172**	**(1,374,983)**	**166,047,189**	**320,942,653**

Note:
Furniture and fixtures also includes leasehold improvements, the amounts for which are not separately identifiable.

NOTES TO STANDALONE FINANCIAL STATEMENTS

(Figures in Rupees)

		As at March 31, 2016	As at March 31, 2015
10.	**NON–CURRENT INVESTMENTS**		
	Long–term		
	Trade investments (Valued at cost unless otherwise stated)		
	Investments in equity instruments		
	Investment in Subsidiaries – Unquoted		
	KME Holdings Pte Ltd. (Wholly owned)	434,241,000	434,241,000
	8,842,409 (8,842,409) equity shares of 1 SGD each, fully paid		
	Kaya Middle East DMCC (Wholly owned) 50 (Nil) equity shares of AED 1,000 each, fully paid	870,000	–
	Total	**435,111,000**	**434,241,000**
	Aggregate amount of unquoted investments (At cost)	**435,111,000**	**434,241,000**
11.	**LONG–TERM LOANS AND ADVANCES**		
	(Unsecured and considered good, unless otherwise stated)		
	Capital advances	7,746,821	12,612,791
	Security deposits	153,874,519	161,327,017
	Deposits with Government Authorities	1,283,992	5,683,992
	Prepaid expenses	3,549,737	7,450,806
	Loans and advances to employees	378,175	–
	Income tax payments (Net of provision for income tax Rs. 55,500,000 (Previous year Rs. 55,500,000))	4,462,313	2,118,465
	Total	**171,295,557**	**189,193,071**
12.	**OTHER NON–CURRENT ASSETS**		
	(Unsecured and considered good, unless otherwise stated)		
	Term deposits with banks with maturity period more than 12 months @	1,553,510	1,381,665
	Interest accrued on long - term deposits with banks	116,492	150,928
	Total	**1,670,002**	**1,532,593**

@ Term deposits with banks include Rs. 71,613 (Previous year Rs.71,613) Deposited with sales tax authorities and Rs. 1,481,897 (Previous year Rs. 1,310,052) held as lien by banks against guarantees issued on behalf of the Company.

NOTES TO STANDALONE FINANCIAL STATEMENTS

(Figures in Rupees)

		As at March 31, 2016	As at March 31, 2015
13.	**CURRENT INVESTMENTS:**		
	(at lower of cost and fair market value)		
	Non - trade Short Term investments:		
	ICICI Prudential Banking & PSU Debt Fund - Regular Plan-Growth NIL (10,058,704) Units of Rs. 10 each fully paid	–	152,060,446
	Birla Sun Life Cash Plus Fund-Growth-Regular Plan NIL (62,182) Units of Rs. 100 each fully paid	–	13,902,952
	HDFC High Interest Fund-Dynamic Plan-Growth NIL (3,125,456) Units of Rs. 10 each fully paid	–	150,000,000
	Baroda Pioneer Treasury Advantage Fund-Plan A-Growth NIL (105,136) Units of Rs. 1,000 each fully paid	–	167,089,160
	Reliance Money Manager Fund -Growth Plan NIL (17,801) Units of Rs. 1,000 each fully paid	–	34,000,000
	SBI Treasury Advantage Fund -Regular Plan-Growth NIL (65,550) Units of Rs. 1,000 each fully paid	–	100,000,180
	Principal Debt Opportunities Fund Corporate Bond Plan-Regular Plan Growth NIL (71,815) Units of Rs. 1,000 each fully paid	–	150,000,000
	Religare Invesco Short Term Fund - Growth NIL (89,193) Units of Rs. 1,000 each fully paid	–	164,815,936
	Reliance Liquid Fund -Treasury Plan-Growth NIL (12,535) Units of Rs. 1,000 each fully paid	–	42,499,998
	Reliance Liquid Fund- Growth NIL (3,815) Units of Rs. 1,000 each fully paid	–	8,000,000
	IDFC Dynamic Bond Fund-Growth-Regular NIL (8,902,923) Units of Rs. 10 each fully paid	–	150,000,000
	Franklin India Ultra Short Bond Fund - Super Institutional Plan - Growth NIL (8,722,533) Units of Rs. 10 each fully paid	–	161,378,197

NOTES TO STANDALONE FINANCIAL STATEMENTS

(Figures in Rupees)

	As at March 31, 2016	As at March 31, 2015
Tata Short Term Bond Fund-Plan A-Growth NIL (5,818,825) Units of Rs. 10 each fully paid	–	150,000,000
Reliance Liquid Fund - Treasury Plan - Daily Dividend NIL (7,427) Units of Rs. 1,000 each fully paid	–	25,281,975
SBI Magnum Insta Cash Fund Liquid Floater -Regular Plan-Growth 39,184 (21,139) Units of Rs. 1,000 each fully paid	100,417,751	50,000,000
DHFL Pramerica Low Duration Fund - Growth 7,357,120 (NIL) units of Rs 10 each fully paid	150,044,040	–
HDFC Liquid Fund-Growth 1,379 (NIL) Units of Rs 1,000 each fully paid	4,113,373	–
ICICI Prudential FMP Series 78-95 Days-Plan K-Cumulative 15,000,000 (NIL) Units of Rs 10 each fully paid	150,000,000	–
Kotak Liquid Scheme Plan A-Growth 3,915 (NIL) Units of Rs 1,000 each fully paid	12,000,000	–
Reliance Medium Term Fund - Growth 47,91,054 (NIL) Units of Rs 10 each fully paid	150,048,153	–
Religare Invesco Medium Term Bond Fund - Growth 98,557 (NIL) Units of Rs 1,000 each fully paid	150,045,126	–
SBI Magnum Insta Cash Fund -Regular Plan-Growth 4,690 (NIL) Units of Rs 1,000 each fully paid	15,668,410	–
UTI Floating Rate Fund-STP-Reg-growth 61,445 (NIL) Units of Rs 1,000 each fully paid	150,028,546	–
Total	**882,365,399**	**1,519,028,844**
Aggregate amount of unquoted investments (At cost)	**882,365,399**	**1,519,028,844**
Aggregate amount of unquoted investments (At Net asset value)	**885,398,375**	**1,535,450,371**

NOTES TO STANDALONE FINANCIAL STATEMENTS

(Figures in Rupees

		As at March 31, 2016	As at March 31, 2015
14.	**INVENTORIES**		
	(Refer note 2(g) for basis of valuation)		
	Stores, spares and consumables	210,807,997	107,405,959
	Raw materials	37,492,843	21,102,859
	Packing materials	28,540,628	35,216,585
	Work-in-process #	684,246	8,548,215
	Finished goods #	85,754,627	54,417,565
	Stock-in-trade #	2,108,015	3,772,422
	Total	**365,388,356**	**230,463,605**
	# Skin care products		
15.	**TRADE RECEIVABLES**		
	Unsecured, considered good :		
	Outstanding for a period exceeding 6 months from the date they are due for payment	325,803	1,754,145
	Others	14,456,571	2,744,685
		14,782,374	4,498,830
	Unsecured, considered doubtful :		
	Outstanding for a period exceeding 6 months from the date they are due for payment	2,905,295	905,295
	Others	–	–
		2,905,295	905,295
	Less : Provision for doubtful debts	2,905,295	905,295
	Total	**14,782,374**	**4,498,830**
16.	**CASH AND BANK BALANCES**		
	Cash and cash equivalents:		
	Cash on hand	5,776,721	8,317,466
	Bank balances:		
	In current accounts	11,528,080	24,832,861
	Total	**17,304,801**	**33,150,327**
17.	**SHORT–TERM LOANS AND ADVANCES**		
	(Unsecured and considered good, unless otherwise stated)		
	Loans and advances to related parties	15,234,298	3,040,394
	(Refer Note 35)		
	<u>Other loans and advances</u>		
	Advances to suppliers	24,260,113	23,458,550
	Balances with Government Authorities	10,417,875	8,471,329
	Security deposits	35,609,845	17,371,100
	Prepaid expenses	8,195,400	10,035,383
	Loans and advances to employees	1,138,815	867,620
	Inter corporate deposits including interest accrued	320,979,310	-
	Total	**415,835,656**	**63,244,376**

NOTES TO STANDALONE FINANCIAL STATEMENTS

(Figures in Rupees)

		As at March 31, 2016	As at March 31, 2015
18.	**OTHER CURRENT ASSETS**		
	(Unsecured and considered good, unless otherwise stated)		
	Others	5,431,943	9,291,332
	Total	**5,431,943**	**9,291,332**
19 (a)	**CONTINGENT LIABILITIES**		
	Claims against the Company not acknowledged as debts		
	– Income tax matters	1,467,148,244	1,467,397,145
	– Sales tax matters	38,426,389	53,034,531
	– Service tax matters	43,679,644	22,138,889
	– Other matters	1,900,000	3,820,000
	Total	**1,551,154,277**	**1,546,390,565**

In respect of above, future cash outflows is determinable only on receipt of judgments pending at various forums / authorities.

19 **(b)** The Company has been sanctioned cash credit and letter of credit facilities of Rs. 200,000,000 (Rs. 150,000,000) by a bank. Thisfacility is secured by first and exclusive charge on all existing and future receivable and current assets and second pari passu charge on moveable fixed assets of the Company. Amount outstanding towards these facilities on account of letter of credit as at year end is Rs. 743,712 (Previous year Rs. 1,257,692).

		As at March 31, 2016	As at March 31, 2015
20.	**CAPITAL AND OTHER COMMITMENTS**		
	(a) Capital Commitments		
	Estimated value of contracts in capital account remaining to be executed (net of capital advances)	4,320,980	8,425,292
	(b) Other Commitments		
	Lease termination cost - representing lock-in-period rental under rental agreements	68,854,207	51,720,461
21.	**REVENUE FROM OPERATIONS**		
	Sale of services #	1,496,500,354	1,382,562,245
	Sale of products #	356,693,111	350,662,626
		1,853,193,465	1,733,224,871
	Other operating revenues	–	7,532,310
	# Skin care products and services		
	Total	**1,853,193,465**	**1,740,757,181**
22.	**OTHER INCOME**		
	Interest income	23,483,607	416,835
	Dividend income:		
	– On current investments	1,130,685	1,668,761
	Profit on sale of current investments (net)	91,327,924	141,795,514
	Liabilities written back to the extent no longer required (net)	6,947,265	6,847,036
	Provision for diminution in the value of current investments Written Back	–	3,300,953
	Other non operating income	771,434	6,101,987
	Total	**123,660,915**	**160,131,086**

NOTES TO STANDALONE FINANCIAL STATEMENTS

(Figures in Rupees)

		Year ended March 31, 2016	Year ended March 31, 2015
23.	**COST OF MATERIALS CONSUMED (Refer note 32(a))**		
	Raw materials consumed	63,426,213	62,432,791
	Packing materials consumed	66,910,980	61,307,150
	Total	**130,337,193**	**123,739,941**
24.	**CHANGES IN INVENTORIES OF FINISHED GOODS, WORK–IN–PROCESS AND STOCK–IN–TRADE**		
	Stock at the end of the year:		
	- Work-in-process	684,246	8,548,215
	- Finished goods	85,754,627	54,417,565
	- Stock-in-trade	2,108,015	3,772,422
	Total A	88,546,888	66,738,202
	Stock at the beginning of the year:		
	- Work-in-process	8,548,215	3,451,333
	- Finished goods	54,417,565	42,307,652
	- Stock-in-trade	3,772,422	3,664,969
	Total B	66,738,202	49,423,954
	Changes in inventories (B - A)	**(21,808,686)**	**(17,314,248)**
25.	**EMPLOYEE BENEFITS EXPENSES**		
	Salaries, wages and bonus	445,414,416	368,438,027
	Contribution to provident and other funds (Refer note 33(b))	21,846,250	18,998,386
	Gratuity (Refer note 33(c))	4,871,864	2,852,905
	Staff welfare expenses	35,779,340	36,514,267
	Employee stock option charge (Refer Note 3(g))	6,173,409	3,265,515
	Total	**514,085,279**	**430,069,100**
26.	**FINANCE COSTS**		
	Interest on:		
	Short term borrowings	8,369	57,300
	Others	27,528	23,273
	Total	**35,897**	**80,573**

NOTES TO STANDALONE FINANCIAL STATEMENTS

(Figures in Rupees)

		Year ended March 31, 2016	Year ended March 31, 2015
27.	**OTHER EXPENSES**		
	Consumption of consumables and stores and spare parts (Refer note 32(b))	281,936,775	219,355,094
	Contract manufacturing expenses	35,583,853	31,076,237
	Payments to consultants	186,693,785	156,789,038
	Electricity expenses	39,001,708	40,239,765
	Rent (Refer note 36)	334,147,595	290,991,503
	Repairs and maintenance:		
	- Plant and machinery	2,330,472	5,783,129
	- Building	84,212,728	68,128,407
	- Others	25,001,064	15,763,061
		111,544,264	89,674,597
	Insurance	3,687,181	4,288,993
	Rates and taxes	23,914,496	17,034,851
	Travelling, conveyance and vehicle expenses	39,721,232	31,145,658
	Auditors' remuneration:		
	- Statutory audit fees (including limited review)	2,800,000	2,350,000
	- Tax audit fees	250,000	250,000
	- for other services as statutory auditors	100,000	1,650,000
	- Out of pocket expenses	79,500	46,611
		3,229,500	4,296,611
	Directors' sitting fees	4,217,000	2,412,796
	Legal and professional charges	33,998,502	45,035,145
	Printing, stationery and communication expenses	24,374,254	23,292,397
	Advertisement and sales promotion	153,352,530	143,265,162
	Freight forwarding and distribution expenses	2,332,475	2,131,855
	Net loss on foreign currency transactions and translation	104,675	171,403
	Bank charges	17,548,291	18,329,152
	Provision for doubtful debts	2,000,000	–
	Loss on sale / discarding of assets (net)	6,908,833	111,328
	Miscellaneous expenses	33,143,985	20,824,662
	Total	**1,337,440,934**	**1,140,466,247**

NOTES TO STANDALONE FINANCIAL STATEMENTS

28. During the year, the Company has identified a fraud perpetrated by an employee relating to embezzlement of sales collection through incorrect invoicing and claiming incentives etc. This has resulted into an estimated net loss of Rs. 7,290,414 to the Company, which has been appropriately accounted in the financial statements. The Company has initiated legal action and is in process of filing insurance claim for the same. Further, the Company has remediated the underlying controls by the year end.

(Figures in Rupees)

		Year ended March 31, 2016	Year ended March 31, 2015
29.	**CIF VALUE OF IMPORTS**		
	Raw materials	43,987,280	38,357,668
	Packing materials	46,489,989	51,948,235
	Consumables	4,855,167	2,875,213
	Capital goods	54,695,836	90,572,144
	Total	**150,028,272**	**183,753,260**
30.	**EXPENDITURE IN FOREIGN CURRENCY**		
	Travelling, conveyance and vehicle expenses	65,710	77,525
	Legal and professional charges	–	1,659,426
	Advertisement and sales promotion	205,461	2,887,753
	Others	1,226,845	691,571
	Total	**1,498,016**	**5,316,275**
31.	**EARNINGS IN FOREIGN CURRENCY**		
	Revenue from exports on FOB Basis	9,020,077	9,138,953
	Sale of goods and services	2,76,43,134	40,572,269
	Total	**24,360,280**	**49,711,222**

		Year ended March 31, 2016	Year ended March 31, 2015
32.	**DETAILS OF CONSUMPTION AND PURCHASES**		
	(a) Details of Raw material / Packing material consumed: @		
	Chemicals	63,426,213	62,432,791
	Packing materials	66,910,980	61,307,150
	Total	**130,337,193**	**123,739,941**

@ Consumption of raw materials and packing material include consumption by third parties under contract with the Company and consumption in respect of samples.

NOTES TO STANDALONE FINANCIAL STATEMENTS

(b) Value of imported and indigenous materials consumed:

	March 31, 2016		March 31, 2015	
Raw Materials	**Amount**	**%**	**Amount**	**%**
Imported	40,890,816	64%	29,717,205	48%
Indigenous	22,535,397	36%	32,715,586	52%
Total	**63,426,213**		**62,432,791**	
Consumables, Stores And Spare Parts:				
Imported	4,248,494	2%	12,121,777	6%
Indigenous	277,688,281	98%	207,233,317	94%
Total	**281,936,775**		**219,355,094**	
(c) Purchases of stock–in–trade:				
Skin care products (Indigenous)	6,042,220		5,232,586	
Total	**6,042,220**		**5,232,586**	

33. DISCLOSURE PURSUANT TO ACCOUNTING STANDARD 15 – EMPLOYEE BENEFITS

a) Brief descriptions of the plans:

The Company has various schemes for long-term benefits such as provident fund and gratuity. The Company's contribution to provident fund is defined contribution plan, as the Company has no further obligation beyond making the contributions. The Company's defined benefit plans include gratuity. The employees of the Company are also entitled to leave entitlement as per the Company's policy.

b) Defined contribution plan:

The Company has recognised following amount as expenses (Refer Note 25)

(Figures in Rupees)

	For the year ended March 31, 2016	For the year ended March 31, 2015
Contribution to provident fund	18,991,628	15,869,907
Contribution to employee state insurance contribution	2,838,342	3,108,131
Total	**21,829,970**	**18,978,038**

NOTES TO STANDALONE FINANCIAL STATEMENTS

c) Defined benefit plans (Gratuity funded):

(Figures in Rupees)

	March 31, 2016	March 31, 2015
I. Actuarial assumptions for Gratuity benefits and Compensated absence for employees:		
Discount rate	7.38%	8.01%
Rate of return on plan assets *	7.38%	8.01%
Salary escalation rate **	11.00%	11.00%
Attrition rate	14% and 35%	14% and 46%
* The expected rate of return on plan assets is based on expectation of the average long term rate of return expected on investment of the fund during the estimated term of the obligations.		
** The estimates of future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.		
II. Change in defined benefit obligations:		
Liability at beginning of the year	16,781,424	15,280,904
Interest cost	1,344,191	1,327,911
Current service cost	2,312,965	1,443,121
Benefits paid	(3,693,776)	(2,621,721)
Actuarial (gain) / loss on obligations	1,854,353	1,351,209
Liability at the end of the year	**18,599,157**	**16,781,424**
III. Fair value of plan assets:		
Fair value of plan assets at the beginning of the year	8,493,014	7,223,678
Expected return on plan assets	680,290	628,460
Contributions	–	–
Benefits paid	–	–
Actuarial gain / (losses) on plan assets	(40,645)	640,876
Fair value of plan assets at the end of the year	**9,132,659**	**8,493,014**
IV. Actual return on plan assets:		
Expected return on plan assets	680,290	628,460
Actuarial gains / (losses) on plan assets	(40,645)	640,876
Actual return on plan assets	**639,645**	**1,269,336**
V. Amount recognised in the Balance Sheet:		
Liability at the end of the year	185,99,157	16,781,424
Less: Fair value of plan assets at the end of the year	9,132,659	8,493,014
Difference	9,466,498	8,288,410
Unrecognised past service cost	–	–
Liability recognised in the Balance Sheet	**9,466,498**	**8,288,410**
VI. Percentage of each category of plan assets to total fair value of plan assets:		
Insurer managed funds	100%	100%

NOTES TO STANDALONE FINANCIAL STATEMENTS

(Figures in Rupees)

	March 31, 2016	March 31, 2015
VII. Expense recognised in the Statement of Profit and Loss:		
Current service cost	2,312,965	1,443,121
Interest cost	1,344,191	1,327,911
Expected return on plan assets	(680,290)	(628,460)
Net actuarial (gain) / loss to be recognized	1,894,998	710,333
Past service cost (non vested benefits)	–	–
Past service cost (vested benefits)	–	–
Expense recognised in Statement of Profit and Loss	**4,871,864**	**2,852,905**
VIII. Balance Sheet reconciliation:		
Opening net liability	8,288,410	8,057,226
Expenses as above	4,871,864	2,852,905
Net transfer in	–	–
Benefits paid	(3,693,776)	(2,621,721)
Closing net liability	**9,466,498**	**8,288,410**
IX. Expected contribution for next year:		
As per actuarial valuation report	11,831,027	9,969,976

	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
X Experience adjustments:					
On plan liability (gain) / Loss	456,380	1,006,382	2,394,204	367,900	(657,799)
On plan assets (gain) / Loss	40,645	640,876	–	–	–

	March 31, 2016	March 31, 2015
XI Closing net liability (as above)		
Classified as short–term	9,466,498	8,288,410
Classified as long–term	–	–

d) Compensated Absences:

The Company permits encashment of privileged leave (except sick leave) accumulated by its employees on retirement and separation of service. The liability for unexpired leave is determined and provided on the basis of actuarial valuation at the Balance Sheet date. The privileged leave liability is not funded.

Amount recognized in the Balance Sheet and movements in net liability:

Particulars	March 31, 2016	March 31, 2015
Opening Balance of Compensated Absences (a)	14,532,645	12,222,362
Present value of Compensated Absences (As per actuary valuation) as at the year end (b)	15,081,112	14,532,645
Unfunded liability of Compensated Absences recognized in the Statement of Profit and Loss for the year (b – a)	548,467	2,310,283

NOTES TO STANDALONE FINANCIAL STATEMENTS

34. SEGMENT REPORTING:

Primary Segment:

In accordance with Accounting Standard 17 – “Segment Reporting”, the Company has determined its business segment as ‘Skin Care’. Since, 100% of the Company’s business is from providing specialized skin care services and other related products, there are no other primary reportable segments. Thus, the segment revenue, segment results, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of charge for depreciation during the year is reflected in the Financial Statements.

Secondary Segment:

The Company’s operations are such that all activities are confined only to India and hence, there is no secondary reportable segment relating to the Company’s business.

35. DISCLOSURES AS PER AS – 18 ‘RELATED PARTY DISCLOSURES’

a) Names of the related parties and nature of relationship:

(i)	Subsidiaries:	KME Holding Pte Ltd. DIPL Singapore Pte Limited (Erstwhile known as DRx Investments Pte. Ltd.) (upto January 19, 2016) Kaya Middle East FZE Kaya Middle East DMCC (with effect from May 9, 2015) Iris Medical Centre LLC (with effect from January 18, 2016)
(ii)	Joint Venture of a subsidiary:	Kaya – Al Beda JV (with effect from January 28, 2016)
(iii)	Key managerial personnel:	Mr. Harsh Mariwala – Chairman and Managing Director
(iv)	Enterprises over which KMP or their relative have significant influence and transactions have taken place:	Marico Limited Soap Opera

NOTES TO STANDALONE FINANCIAL STATEMENTS

b) Transactions with parties referred in 'a' above:

(Amount in Rupees)

Particulars	Enterprises over which KMP or their relative have significant Influence		Subsidiary		Total	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Transactions during the year Sale of goods	–	–	9,020,077	9,138,953	9,020,077	9,138,953
Purchase of goods	3,280,372	1,562,344	–	–	3,280,372	1,562,344
Sale of fixed assets	–	61,500	–	–	–	61,500
Reimbursement of costs	–	–	10,684,304	–	10,684,304	–
Reimbursement of expenses paid by Company on behalf of	–	–	2,753,559	2,674,520	2,753,559	2,674,520
Legal and Professional charges	4,571,944	4,747,611	–	–	4,571,944	4,747,611
Reimbursement of expenses incurred for the company (electricity and others)	6,011,815	9,762,079	–	279,276	6,011,815	10,041,355
Rent Paid	7,602,343	6,474,550	–	–	7,602,343	6,474,550
Security Deposit for Rented premises	1,000,000	–	–	–	1,000,000	–
Investment Made	–	–	870,000	3,076,000	870,000	3,076,000
Balances Receivable/(Payable) as at the year end						
Investment	–	–	435,111,000	434,241,000	435,111,000	434,241,000
Trade Payables	(84,72,020)	(5,545,212)	–	–	(84,72,020)	(5,545,212)
Short term loans and advances	–	–	1,52,34,298	3,040,394	1,52,34,298	3,040,394
Long term loans and advances	1,000,000	–	–	–	1,000,000	–

Note:

For the year ended March 31, 2015, the above related party disclosure does not include transfer of assets and liabilities, issue and cancellation of shares pursuant to the scheme becoming effective (Refer note 1B)

NOTES TO STANDALONE FINANCIAL STATEMENTS

c) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties

(Amount in Rupees)

Particular	Transactions	
	March 31, 2016	March 31, 2015
Sale of goods		
Kaya Middle East FZE	90,20,077	9,138,953
Purchase of goods		
Marico Limited	2,894,889	1,562,344
Soap Opera	385,483	–
Sale of fixed assets		
Marico Limited	–	61,500
Reimbursement of costs		
KME Middle East FZE	10,684,304	–
Reimbursement of expenses incurred by the company on behalf of		
Kaya Middle East FZE	2,753,559	2,674,520
Legal and Professional charges		
Marico Limited	4,571,944	4,747,611
Reimbursement of expenses incurred for the Company (electricity and others)		
Marico Limited	6,011,815	9,762,079
Rent paid		
Marico Limited	7,602,343	6,474,550
Security Deposit for Rented premises		
Marico Limited	1,000,000	–
Investments made		
Kaya Middle East DMCC	870,000	–
KME Holding Pte Ltd.	–	3,076,00

Balances Receivable / (Payable)	March 31, 2016	March 31, 2015
Short - term loans and advances		
Kaya Middle East FZE	15,234,298	3,040,394
Long term loans and advances		
Marico Limited	1,000,000	–
Trade Payables		
Marico Limited	(8,472,020)	(5,545,212)
Non - current Investments		
Kaya Middle East DMCC	870,000	–
KME Holding Pte Ltd	434,241,000	434,241,000

NOTES TO STANDALONE FINANCIAL STATEMENTS

36. OPERATING LEASES:

The Company has entered into several operating lease arrangements for its office premises and Skin clinics for a period ranging from 3 to 9 years and, is renewable on a periodic basis at the option of the lessor and / or lessee. Under these arrangements, generally refundable interest free deposits have been given.

Disclosure in respect of assets taken on non-cancellable operating lease:

(Amount in Rupees)

Particulars	March 31, 2016	March 31, 2015
Lease payments recognized in the Statement of Profit and Loss during the year*	334,147,595	290,991,503
Future minimum lease rentals payments payable:		
– not later than one year	38,651,022	33,654,284
– later than one year but not later than five years	30,203,186	18,066,177
– later than five years	–	–
	68,854,208	**51,720,461**

*Including Contingent Rent Rs. 1,604,995 (Rs. 1,790,447)

37. EARNINGS PER SHARE:

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Profit / (Loss) as per the Statement of Profit and Loss / Profit available to equity shareholders (Rs.) [A]	**(86,242,622)**	**154,908,589**
Equity shares outstanding as at the year end #	12,897,100	12,897,100
Weighted average number of equity shares used as denominator for calculating basic earnings per share # [B]	12,897,100	12,897,100
Weighted average number of equity shares used as denominator for calculating diluted earnings per share[C]	12,922,899	12,910,478
Nominal value per equity share (Rs.)	10	10
Basic earnings / (loss) per equity share (Rs.) [A/B]	**(6.69)**	**12.01**
Diluted earnings / (loss) per equity share (Rs.) [A/C] *	**(6.69)**	**12.00**

* Since the earnings/ (loss) per share computation based on diluted weighted average number of shares is anti-dilutive, the basic and diluted earnings/(loss) per share is the same.

For the purpose of calculating equity shares outstanding and the weighted average number of equity shares for the year ended March 31, 2015, the equity shares issued pursuant to the Scheme (Refer note 1B) have been considered effective April 1, 2014, being the appointed date for the Scheme.

Reconciliation of Basic and Diluted Shares used in computing earnings per share

	March 31, 2016	March 31, 2015
Number of shares considered as basic weighted average shares outstanding	12,897,100	12,897,100
Add: Effect of dilutive stock options	25,799	13,378
Number of shares considered as weighted average shares and potential share outstanding	12,922,899	12,910,478

NOTES TO STANDALONE FINANCIAL STATEMENTS

38. There are no deferred tax liabilities as at the year end. Deferred tax assets has not been recognised on carried forward business loss, unabsorbed depreciation and other item of deferred tax assets, as there is no virtual certainty of its realization on account of the losses incurred by the Company.

39. DERIVATIVE TRANSACTIONS:

The Company has entered into derivative transactions during the year, however there were no derivative transactions outstanding as on March 31, 2016 and as on March 31, 2015. Net foreign currency exposure not hedged as at the year end were as under:-

Particulars	Foreign currency amount			Equivalent amount in Rupees	
	Currency	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
Trade payables	USD	16,993	13,173	1,127,206	823,286
	EURO	600	–	45,057	–
	AED	3,920	–	70,567	–
Short-term loans and advances	USD	398,538	77,594	26,436,208	4,849,490
	EURO	13,900	13,900	1,043,827	932,259
	GBP	–	170	–	15,717
	AED	7,500	178,679	135,024	3,040,394
Long – term Loans and Advances	USD	93,763	–	6,219,539	–

40. Previous year figures have been re-grouped and reclassified wherever necessary to conform to this year's classification.

Signatures to Note 1 to 40

As per our report of even date.

For Price Waterhouse
Chartered Accountants
Firm Registration Number: 301112E

For and on behalf of the Board of Directors of Kaya Limited

Uday Shah
Partner
Membership No.: 46061
Mumbai: May 26, 2016

Harsh Mariwala
Chairman and Managing Director
DIN : 00210342

Nikhil Khattau
Director and Chairman of Audit and Risk Committee
DIN : 00017880

Dharmendar B Jain
Chief Financial Officer
Mumbai: May 26, 2016

Almas Badar
Company Secretary and Compliance officer

CONSOLIDATED INDEPENDENT AUDITOR’S REPORT

TO THE MEMBERS OF KAYA LIMITED

Report on the Consolidated Financial Statements

1. We have audited the accompanying Consolidated Financial Statements of Kaya Limited (“hereinafter referred to as the Holding Company”) and its subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”) and its jointly controlled entity (refer Note 1C to the attached Consolidated Financial Statements), comprising of the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as “the Consolidated Financial Statements”).

Management’s Responsibility for the Consolidated Financial Statements

2. The Holding Company’s Board of Directors is responsible for the preparation of these Consolidated Financial Statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as “the Act”) that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its jointly controlled entity in accordance with accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Holding Company’s Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements. The respective Board of Directors of the companies included in the Group and its jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and jointly controlled entity respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements 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, which has been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditor’s Responsibility

3. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company’s preparation of the Consolidated Financial Statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company’s Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements..

6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their reports referred to in sub-paragraph 8 of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Financial Statements give the information required by 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 consolidated state of affairs of the Group and its jointly controlled entity as at March 31, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

CONSOLIDATED INDEPENDENT AUDITOR'S REPORT (Contd.)

Other Matter

8. We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of Rs. 8,947.64 lacs and net assets of Rs. 2,460.07 lacs as at March 31, 2016, total revenue of Rs. 18,281.46 lacs, net profit of Rs. 1,861.18 lacs and net cash flows amounting to Rs. 1,615.33 lacs for the year ended on that date, as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditor whose report has been furnished to us by the Management, and our opinion on the Consolidated Financial Statements insofar as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiary is based solely on the report of the other auditor.

   Our opinion on the Consolidated Financial Statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the report of the other auditor.

Report on Other Legal and Regulatory Requirements

9. As required by Section 143 (3) of the Act, we report, to the extent applicable, 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 of the aforesaid Consolidated Financial Statements.

   (b) In our opinion, proper books of account as required by law maintained by the Holding Company, incorporated in India including relevant records relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the other auditor.

   (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, incorporated in India including relevant records relating to the preparation of the Consolidated Financial Statements.

   (d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2016 taken on record by the Board of Directors of the Holding Company, incorporated in India, none of the directors is disqualified as on March 31, 2016 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 Holding Company, incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

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

      i. The Consolidated Financial Statements disclose the impact, if any, of pending litigations as at March 31, 2016 on the consolidated financial position of the Group and the jointly controlled entity – Refer Note 10 and Note 28(a) to the Consolidated Financial Statements.

      ii. The Group and jointly controlled entity had long-term contracts as at March 31, 2016 for which there were no material foreseeable losses. The Group and the jointly controlled entity does not have any derivative contracts as at March 31, 2016.

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, incorporated in India during the year ended March 31, 2016.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Uday Shah
Partner
Membership Number: 46061

Place: Mumbai
Date: May 26, 2016

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

Referred to in paragraph 9(f) of the Independent Auditors' Report of even date to the members of Kaya Limited on the consolidated financial statements for the year ended March 31, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of

Section 143 of the Act

1. In conjunction with our audit of the Consolidated Financial Statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of Kaya Limited (hereinafter referred to as "the Holding Company"), which is a company incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The Board of Directors of the Holding company, which is a company incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective 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

3. 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 on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT (Contd.)

Referred to in paragraph 9(f) of the Independent Auditors' Report of even date to the members of Kaya Limited on the consolidated financial statements for the year ended March 31, 2016

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 Over Financial Reporting

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

Opinion

8. In our opinion, the Holding Company, which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, 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.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Uday Shah
Partner
Membership Number: 46061

Place: Mumbai
Date: May 26, 2016

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2016

(Amount in Rs. Lacs)

	Note	As at March 31, 2016	As at March 31, 2015
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	**3(a)**	1,289.71	–
Share capital suspense account	**3(b)**	–	1,289.71
Reserves and surplus	**4**	23,840.38	22,172.56
		25,130.09	23,462.27
MINORITY INTEREST			
NON–CURRENT LIABILITIES		47.23	–
Deferred tax liabilities	**5**	–	–
Long–term provisions	**6**	1,158.05	933.49
Other long term liabilities	**7**	99.20	–
		1,257.25	933.49
CURRENT LIABILITIES			
Trade payables	**8**		
Total outstanding dues of micro enterprises and small enterprises		–	–
Total outstanding dues of creditors other than micro enterprises and small enterprises		3,763.00	2,874.81
Other current liabilities	**9**	9,211.25	8,728.96
Short–term provisions	**10**	1,243.16	1,270.86
		14,217.41	12,874.63
Total		**40,651.98**	**37,270.39**
ASSETS			
NON – CURRENT ASSETS			
Fixed assets			
– Tangible assets	**11(a)&11(b)**	7,440.42	5,042.71
– Intangible assets	**11(a)&11(b)**	481.92	257.72
– Capital work–in–progress		244.25	318.77
		8,166.59	5,619.20
Goodwill on consolidation	**12**	7,006.17	5,914.44
Long–term loans and advances	**13**	2,403.48	2,196.35
Other non–current assets	**14**	16.70	15.33
		17,592.94	13,745.32
CURRENT ASSETS			
Current Investments	**15**	8,823.65	15,190.28
Inventories	**16**	5,294.26	3,348.26
Trade receivables	**17**	147.83	44.99
Cash and bank balances	**18**	2,777.79	2,763.02
Short–term loans and advances	**19**	5,887.79	2,044.28
Other current assets	**20**	127.72	134.24
		23,059.04	23,525.07
Total		**40,651.98**	**37,270.39**

The notes are an integral part of these consolidated financial statements.

As per our attached report of even date.

For Price Waterhouse
Chartered Accountants
Firm Registration Number: 301112E

For and on behalf of the Board of Directors of Kaya Limited

Uday Shah
Partner
Membership No.: 46061
Mumbai: May 26, 2016

Harsh Mariwala
Chairman and Managing Director
DIN : 00210342

Nikhil Khattau
Director and Chairman of Audit and Risk Committee
DIN : 00017880

Dharmendar B Jain
Chief Financial Officer
Mumbai: May 26, 2016

Almas Badar
Company Secretary and Compliance officer

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

(Amount in Rs. Lacs)

	Note	Year ended March 31, 2016	Year ended March 31, 2015
REVENUE :			
Revenue from operations	**21**	36,989.98	33,227.06
Other income	**22**	1,243.37	1,544.86
TOTAL REVENUE		**38,233.35**	34,771.92
EXPENSES:			
Cost of materials consumed	**23**	4,585.07	3,785.01
Purchases of stock–in–trade		151.95	52.33
Changes in inventories of finished goods, work–in–process and stock–in–trade – (Increase) / decrease	**24**	(806.00)	(304.98)
Employee benefits expenses	**25**	12,867.60	10,613.73
Finance costs	**26**	1.98	2.27
Depreciation and amortisation	**11(a)&11(b)**	1,694.12	1,158.81
Other expenses	**27**	18,852.88	15,806.64
TOTAL EXPENSES		**37,347.60**	**31,113.81**
PROFIT BEFORE EXCEPTIONAL ITEM AND TAX		**885.75**	**3,658.11**
Exceptional Item – Income / (expense)	**32**	–	(479.78)
PROFIT BEFORE TAXATION		**885.75**	**3,178.33**
Tax expenses			
– Current tax		–	–
– Deferred tax		**–**	**–**
PROFIT AFTER TAXATION AND BEFORE ADJUSTMENT FOR MINORITY INTEREST		**885.75**	**3,178.33**
LESS: SHARE OF PROFIT TRANSFERRED TO MINORITY INTEREST		**5.98**	**–**
PROFIT FOR THE YEAR AFTER ADJUSTMENT FOR MINORITY INTEREST		**879.77**	**3,178.33**
Earnings per equity share: [Nominal Value per share: Rs. 10]	**33**		
Basic earnings per share (Rs.)		6.82	24.64
Diluted earnings per share (Rs.)		5.94	23.59

The notes are an integral part of these consolidated financial statements.

As per our attached report of even date.

For Price Waterhouse
Chartered Accountants
Firm Registration Number: 301112E

For and on behalf of the Board of Directors of Kaya Limited

Uday Shah
Partner
Membership No.: 46061
Mumbai: May 26, 2016

Harsh Mariwala
Chairman and Managing Director
DIN : 00210342

Nikhil Khattau
Director and Chairman of Audit and Risk Committee
DIN : 00017880

Dharmendar B Jain
Chief Financial Officer
Mumbai: May 26, 2016

Almas Badar
Company Secretary and Compliance officer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

(Amount in Rs. Lacs)

	Year ended March 31, 2016	Year ended March 31, 2015
A CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT FOR THE YEAR	879.77	3,178.33
Adjustments for:		
Depreciation and amortisation	1,694.12	1,158.81
Finance costs	1.98	2.27
Interest income on fixed deposits and others	(240.67)	(12.24)
Dividend Income on current investments	(11.31)	(16.69)
Loss on sale / discarding of assets (net)	68.74	2.08
Liabilities written back to the extent no longer required	(69.47)	–
Employee stock option charge (Refer note 3(g))	61.73	32.66
Profit on sale of current investments (net)	(913.28)	(1,417.96)
Provision for diminution in the value of current investments	–	(33.01)
Provision for doubtful debts	20.00	–
	611.84	(284.08)
Operating profit before working capital changes	**1,491.61**	**2,894.25**
Adjustments for:		
Increase in inventories	(1,946.00)	(877.01)
Increase in trade receivables	(122.84)	(49.66)
Increase in loans and advances and other current and non–current assets	(569.12)	(845.28)
Increase in trade payables and other current and non–current liabilities and provisions	1,644.13	1,889.65
Changes in working capital	**(993.83)**	**117.70**
Cash generated from Operations	**497.78**	**3,011.95**
Taxes paid (net of refunds)	(23.44)	(87.44)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**474.34**	**2,924.51**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016 (Contd.)

(Amount in Rs. Lacs)

		Year ended March 31, 2016	Year ended March 31, 2015
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	(4,213.95)	(3,589.47)
	Sale of fixed assets	3.49	–
	(Purchase) / Sale of investments (net)	7,279.91	3,297.88
	Investments in Inter Corporate Deposits	(3,000.00)	–
	Aquisition of business	(742.93)	–
	Consideration received on divestment of DIAL Group	–	(1,393.31)
	Dividend income received	11.31	16.69
	Interest received	31.23	17.89
	NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(630.94)**	**(1,650.32)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Interest paid	(1.98)	(2.27)
	NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(1.98)**	**(2.27)**
D	**Effect of exchange difference on translation of foreign currency cash and cash equivalents**	**140.16**	**31.36**
E	**NET (DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS (A+B+C+D)**	**(18.42)**	**1,303.28**
F	**Cash and cash equivalents – opening balance (Refer note 18)**	**2,763.02**	**1,415.49**
G	**Cash and cash equivalents – acquired pursuant to amalgamation (Refer note 1 B(f))**	**–**	**44.25**
H	**Cash and cash equivalents – acquired pursuant to acquisition of business (Refer note 1 C (ii))**	**33.19**	**–**
I	**Cash and cash equivalents – closing balance (Refer note 18)**	**2,777.79**	**2,763.02**

Notes:

(a) The above Cash Flow statement has been prepared under the indirect method as set out in Accounting Standard 3 (AS 3) ‘ Cash Flow Statements’.

(b) For non–cash transactions relating to investing and financing activities pursuant to Scheme of Arrangement – refer Note 1B.

(c) The notes are an integral part of these consolidated financial statements.

As per our attached report of even date.

For Price Waterhouse
Chartered Accountants
Firm Registration Number: 301112E

Uday Shah
Partner
Membership No.: 46061
Mumbai: May 26, 2016

For and on behalf of the Board of Directors of Kaya Limited

Harsh Mariwala
Chairman and Managing Director
DIN : 00210342

Nikhil Khattau
Director and Chairman of Audit and Risk Committee
DIN : 00017880

Dharmendar B Jain
Chief Financial Officer
Mumbai: May 26, 2016

Almas Badar
Company Secretary and Compliance officer

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1A. GENERAL INFORMATION

The Company, headquartered in Mumbai, Maharashtra, India, carries on Skin Care Business through its subsidiaries in India and Middle East and joint venture of a subsidiary in Middle East (together referred as 'Group').

1B. SCHEME OF ARRANGEMENT:

a On September 29, 2014 the Board of Directors of Marico Kaya Enterprises Limited ('MaKE'), the erstwhile holding company and the Company, had approved the Scheme of Arrangement ('the Scheme') for Amalgamation of MaKE with the Company with effect from appointed date April 1, 2014. The Hon'ble High Court of Bombay had approved the Scheme vide its order dated April 18, 2015, and thereafter filed with Registrar of Companies on May 13, 2015. (effective date)

b In terms of the Scheme, all assets, liabilities and reserves of MaKE were vested with the Company with effect from April 1, 2014 and were recorded at their respective book values in accordance with the Scheme, under the pooling of interest method as per AS 14 – Accounting for Amalgamation.

c All the inter–company balances between the Company and MaKE as at April 1, 2014 stands cancelled.

d The Company had issued 12,897,100 equity shares of Rs. 10/– each, fully paid–up, of the Company to the holders of Equity shares of Marico Kaya Enterprises Limited whose names were registered in the register of members on the record date i.e. May 27, 2015, without payment being received in cash, in the ratio of 1 (one) fully paid–up equity shares of Rs. 10/– each of the Company for every 1 (one) fully paid–up equity shares of Rs. 10 held in Marico Kaya Enterprises Limited. Pending issue of such shares as at March 31, 2015, the face value of shares to be issued was accounted under Share Capital Suspense Account (Refer notes 3(a) & 3(b)).

e Further, in terms of the Scheme, the existing share capital of the Company of Rs. 1,784.90 lacs was reduced upon the Scheme becoming effective i.e. on May 13, 2015, with corresponding adjustment with securities premium.

f Accordingly, in terms of the Scheme, after giving effect to the aforesaid, the difference were adjusted against the Securities Premium Account as under :

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Particulars	Amount in Rs. Lacs	Amount in Rs. Lacs
Book value of assets, liabilities and reserves of MaKE		
Assets		
Non–current investments	18,184.17	
Long–term loans and advance	11,355.93	
Current investments	188.75	
Cash and bank balances	44.25	
Other current assets	1.69	
Total (i)	**29,774.79**	
Liabilities		
Trade payables	12.99	
Other current liabilities and provisions	46.45	
Total (ii)	**59.44**	
Reserves		
Capital reserve	2,652.82	
Securities premium reserve	25,767.10	
Surplus in statement of profit and loss	5.72	
Total (iii)	**28,425.64**	
Book value of assets, liabilities and reserves of MaKE		
12,897,100 Equity Shares of Rs. 10 each of the Company to be issued [(i) – (ii) – (iii)]	1,289.71	
Book value of Investment by MaKE in Kaya Limited (A)		18,184.17
Equity Shares of Kaya Limited held by MaKE cancelled (B)		1,784.90
Adjustments in securities premium in terms of the Scheme (A–B)		**16,399.27**

g. In terms of the Scheme, the authorized Share capital of the Company has been increased by the authorized share capital of MaKE amounting to Rs. 3,400 lacs (from Rs. 2,000 lacs) upon the Scheme being effective.

1C Subsidiaries considered in these Consolidated Financial Statements:

(i) List of subsidiary companies / Joint Venture :

Name of the Company	Holding Company	Country of Incorporation	Percentage of Ownership as at March 31	
			2016	2015
Kaya Middle East FZE (KME)	KME Holding Pte. Ltd.	U.A.E.	100	100
KME Holding Pte. Ltd.	Kaya Limited	Singapore	100	100
DIPL (Singapore) Pte Ltd (Liquidated on January 19, 2016)	KME Holding Pte. Ltd.	Singapore	NA	100
Kaya Middle East DMCC (with effect from May 9, 2015)	Kaya Limited	U.A.E.	100	NA
IRIS Medical Centre LLC (with effect from January 18, 2016)	Kaya Middle East DMCC	U.A.E.	85*	NA

* Includes 51% held by other shareholder, which has been assigned to Kaya Middle East DMCC by Memorandum of Association / Share holders resolution.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs. Lacs)

Interest in Joint Venture of a subsidiary (Kaya Middle East DMCC)	Location	Percentage of Interest as at March 31	
		2016	2015
Kaya - Al Beda JV (with effect from January 28, 2016)	Kuwait	49	NA

(ii) The effect of the subsidiaries formed / acquired during the year is as under:

Name of the subsidiary acquired / incorporated	For the year ended	Net profit / (loss)	Net assets
Kaya Middle East DMCC	March 31, 2016	(130.36)	(132.94)
IRIS Medical Centre LLC	March 31, 2016	40.48	314.89

The impact of liquidation of DIPL (Singapore) Pte Ltd on these consolidated financials statement is not material.

(iii) Disclosure mandated by Schedule III by way of additional information

Name of the Entity	Net Assets		Share in Profit	
	As a % of Consolidated net assets	Amount in Rs. Lacs	As a % of Consolidated profit	Amount in Rs. Lacs
Kaya Limited	76.05%	19,147.87	-97.94%	(867.53)
Kaya Middle East FZE	17.82%	4,485.38	211.36%	1,872.17
KME Holding Pte. Ltd.	15.14%	3,812.96	-0.10%	(0.86)
DIPL (Singapore) Pte Ltd	0.00%	–	-0.19%	(1.67)
Kaya Middle East DMCC	-0.53%	(132.94)	-14.72%	(130.36)
IRIS Medical Centre LLC	1.25%	314.89	4.57%	40.48
Kaya - Al Beda JV	-0.02%	(5.70)	-1.75%	(15.48)
Sub Total		**27,622.46**		**896.75**
Inter - company Elimination and Consolidation Adjustments	-9.71%	(2,445.14)	-1.24%	(10.99)
Grand Total		**25,177.32**		**885.75**
Minority Interest in subsidiaries		47.23		5.98

Note: Negative amounts represent loss / net liability position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of financial statements:

These financial statements have been prepared in accordance with the generally accepted accounting principles in India ('GAAP') under the historical cost convention on accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) of the Companies Act, 1956 [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013.

All assets and liabilities have been classified as current or non–current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and services rendered and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non–current classification of assets and liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Ministry of Corporate Affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated March 30, 2016. The said notification read with Rule 3(2) of the Companies (Accounting Standards) Rules, 2006 is applicable to accounting period commencing on or after the date of notification i.e. 1 April 2016.

The Consolidated Financial Statements relate to the Company, its subsidiaries and its joint venture have been prepared on the following basis:

(i) In respect of Subsidiary companies, their financial statements have been consolidated on a line–by–line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra–group balances and unrealised profits / losses on intra–group transactions as per Accounting Standard (AS 21) “Consolidated Financial Statements”. The results of subsidiaries are included from the date of acquisition of a controlling interest / appointed date for the Scheme.

(ii) In case of foreign subsidiaries, being Non–Integral Foreign Operations, revenue items are consolidated at the average rate prevailing during the period. All asset and liabilities are converted at the rate prevailing at the end of the period. The resultant translation gains and losses are shown separately as ‘Foreign Currency Translation Reserve’ under ‘Reserves and Surplus’.

(iii) The excess of cost to the Group of its investments in subsidiary companies over its share of equity and reserves of its subsidiary companies at the dates on which investments are made / appointed date pursuant to the Scheme, is recognised in the consolidated financial statements as Goodwill. As at Balance Sheet date, an assessment is done as to whether there is any indication that goodwill on consolidation may be impaired. If any such indication exists, an estimate of the recoverable amount is made. The goodwill on consolidation is impaired when the carrying value exceeds the recoverable amount. The excess of Group’s share of equity and reserves of its subsidiary companies over the cost of acquisition is treated as Capital Reserve.

(iv) Minority interests in the net assets of consolidated subsidiaries consist of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.

(v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company’s separate financial statements.

(vi) Joint Venture of subsidiary has been accounted in the consolidated financial statements using the proportionate consolidation method whereby a venturer’s share of each of the assets, liabilities, income and expenses of the jointly controlled entity is accounted for on a prorata basis.

b) Use of Estimates:

The preparation of the consolidated financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include future obligations under employee retirement benefit plans, income taxes, the useful lives and loss on impairment of tangible assets, intangible assets and goodwill on consolidation.

Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results could differ from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

c) Tangible assets, intangible assets and capital work–in–progress:

Tangible assets and intangible assets are stated at cost of acquisition, less accumulated depreciation/ amortisation and impairment, if any. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation. Borrowing costs attributable to acquisition, construction of qualifying asset are capitalised until such time as the assets are substantially ready for their intended use. Other pre–operative expenses for major projects are also capitalised, where appropriate.

Capital work–in–progress comprises cost of fixed assets that are not yet ready for their intended use at the year end.

d) Depreciation / amortization:

1) Tangible Assets

(i) Depreciation is provided on the basis of the rates determined based on the straight line method over the estimated useful lives of the assets which are higher than the rates prescribed under Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets. The estimated useful lives of the assets have not undergone a change on account of transition to the Companies Act, 2013:

Assets	Useful Life
Computer hardware, related peripherals etc.	3 years
Technologically advanced machineries	2 to 7 years
Other plant and equipment (Including office equipment)	2 to 9 years
Furniture and fixtures (Including lease hold improvements)	9 years

(ii) Depreciation in respect of assets of foreign subsidiaries and joint venture of foreign subsidiary is provided on a straight line basis at the rates based on useful life of the assets as estimated by the management here under:

Assets	Useful Life
Computer hardware and related peripherals	3 to 5 years
Building	60 years
Plant and machinery	2 to 7 years
Furniture and fixtures (including leasehold improvements)	3 to 7 years
Vehicles	5 years
Other plant and equipments	2 to 7 years

(iii) The useful life of leasehold improvements are estimated taking into consideration lease period including the renewal option. Leasehold improvements includes provision for site restoration costs which are recognised based on the estimates made by management for probable liability towards restoration of these premises at the end of lease period.

(iv) Assets individually costing Rs. 5,000 or less are depreciated fully in the year of acquisition.

(v) Depreciation on additions during the year is charged from the month in which the assets are capitalized and for deletions up to the month prior to the month in which the asset is disposed off.

(vi) Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost or impaired amount are recognised in the Statement of Profit and Loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Intangible assets

Intangible assets are amortised on a straight line basis at the rates based on estimated useful lives of respective assets, but not exceeding the period of ten years:

Assets	Useful Life
Computer Software	2 to 10 Years
Goodwill	7 years
Trade marks / copyrights	10 Years

A rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use is considered by the management.

e) Impairment:

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

f) Investments:

(i) Long–term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognize a decline, other than temporary.

(ii) Current investments are valued at lower of cost and fair value, computed individually for each investment. In case of investments in mutual funds which are unquoted, net asset value is taken as fair value.

g) Inventories:

(i) Raw materials, packing materials, stores, spares and consumables are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products in which they will be used are expected to be sold at or above cost.

(ii) Finished goods, stock–in–trade and work–in–progress are valued at lower of cost and net realizable value.

(iii) Cost is ascertained on weighted average method and in case of finished products and work–in–progress, it includes appropriate production overheads and duties.

h) Revenue recognition:

(i) Income from services is recognized on rendering of services and are recorded net of discounts and service tax.

(ii) Income from package sale is recognized based on the utilisation of sessions by the customers.

(iii) Sale of products is recognized on delivery, which is when risks and rewards of ownership passed to the customers, and are recorded net of trade discounts, sales tax / value added tax.

(iv) Interest and other income are recognised on accrual basis.

(v) Dividend income is recognised when right to receive dividend is established.

i) Retirement and other benefits to employees:

1) Long–term employee benefits

(i) Defined contribution plans

The Company has defined contribution plan for post employment benefits in the form of provident fund, etc. The Company's contributions to defined contribution plans are charged to the Statement of Profit and Loss as incurred.

(ii) Defined benefit plans

The Company has defined benefit plans for post employment benefits in the form of gratuity. Liability for defined benefit plans is provided on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary and contributed to employees Gratuity Fund. The actuarial valuation method used for measuring the liability is the projected unit credit method.

(iii) Compensated absences

The employees are entitled to accumulate leave subject to certain limits, for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each Balance Sheet date on the basis of an independent actuarial valuation.

2) Actuarial gains and losses due to changes in actuarial assumptions are recognised immediately in the Statement of Profit and Loss as income or expense.

j) Foreign currency transactions:

(i) Transactions in foreign currencies are recognised at the prevailing exchange rates on the transaction dates. Realised gains and losses on settlement of foreign currency transactions are recognised in the Statement of Profit and Loss.

(ii) Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates, and the resultant exchange difference is recognised in the Statement of Profit and Loss.

k) Accounting for taxes on income:

(i) Income tax payable in India is determined in accordance with the provisions of the Income–tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

(ii) Minimum Alternate Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

(iii) Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets on unabsorbed tax losses and unabsorbed tax depreciation are recognised only when there is a virtual certainty of their realisation. Other deferred tax assets are recognised only when there is a reasonable certainty of their realisation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

l) Assets taken on lease:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as expenditure in the Statement of Profit and Loss on a straight line basis over the lease term.

m) Provisions and Contingent Liabilities

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non–occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. A Provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the period end date. Contingent Assets are not recognised or disclosed in the consolidated financial statements.

n) Utilisation of Securities Premium Reserve

Expenses incurred on issue of shares are adjusted against the Securities Premium Reserve.

o) Employee Share Based Payments

Equity stock options granted are accounted as per the accounting treatment prescribed by the Guidance Note on Employee Share–based Payments issued by the Institute of Chartered Accountants of India as required by the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense, equal to amortised portion of value of lapsed portion and the credit to deferred employee compensation expense equal to the un–amortised portion.

p) Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks, other short–term highly liquid investments with original maturities of three months or less.

q) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share is the net profit for the year after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity 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 is adjusted for the effects of all dilutive potential equity shares.

r) Segment Reporting

The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company. Further, inter–segment revenue have been accounted for based on the transaction price

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

agreed to between segments which is primarily market based. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the Company as a whole and are not allocable to segments on a reasonable basis, have been included under "unallocated corporate expense/income".

(Amount in Rs. Lacs)

	As at March 31, 2016		As at March 31, 2015	
	Number of Shares	Amount in Rs. Lacs	Number of Shares	Amount in Rs. Lacs
3. SHARE CAPITAL AND SHARE CAPITAL SUSPENSE ACCOUNT				
(a) Share Capital				
(i) Authorised (Refer Note 1B(g))				
Equity shares of Rs. 10/– each	34,000,000	3,400.00	20,000,000	2,000.00
	34,000,000	3,400.00	20,000,000	2,000.00
(ii) Issued, subscribed and fully paid–up				
Equity shares of Rs. 10/– each fully paid–up	12,897,100	1,289.71	–	–
Total	**12,897,100**	**1,289.71**	**–**	**–**

(b) Share capital suspense account

(Amount in Rs. Lacs)

	As at March 31, 2016	As at March 31, 2015
Share capital suspense account (Refer Note 1B)	–	1,289.71
Total	**–**	**1,289.71**

(c) Reconciliation of number of shares

	Number of Shares	Amount in Rs. lacs	Number of Shares	Amount in Rs. lacs
Balance as at the beginning of the year	-	-	17,848,975	1,784.90
Add: Shares alloted during the year (Refer note 1B(d))	12,897,100	1,289.71	-	-
Less: Reduction on account of the Scheme (Refer Notes 1B(d) and 1B(e))	-	-	17,848,975	1,784.90
Balance as at the end of the year	**12,897,100**	**1,289.71**	**-**	**-**

(d) Rights, preferences and restrictions attached to equity shares Equity Shares: The Company has only one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors of the Company is subject to the approval of the shareholders in the ensuing annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(e) Shares held by the holding company:
Refer Note 1(B)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(f) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company:

Name of Shareholder	As at March 31, 2016		As at March 31, 2015	
	No. of Shares held	% of Holding	No. of Shares held*	% of Holding
Harsh C Mariwala with Kishore V Mariwala (As representatives of Valentine Family Trust)	1,467,520	11.38%	1,467,520	11.38%
Harsh C Mariwala with Kishore V Mariwala (As representatives of Aquarius Family Trust)	1,467,520	11.38%	1,467,520	11.38%
Harsh C Mariwala with Kishore V Mariwala (As representatives of Taurus Family Trust)	1,467,520	11.38%	1,467,520	11.38%
Harsh C Mariwala with Kishore V Mariwala (As representatives of Gemini Family Trust)	1,467,520	11.38%	1,467,520	11.38%

* reflects number of shares that were issued pursuant to the scheme.

(g) Shares reserved for issue under options :

The Board of Directors of the Company had granted 135,771 stock options to certain eligible employees pursuant to the Kaya Limited Employee Stock Option Scheme 2014 and Kaya Limited Employee Stock Option Scheme 2014 (Kaya Middle East FZE) (together referred as 'Kaya ESOP'). One stock option is represented by one equity share of Kaya Limited. The vesting date for Kaya Limited Employee Stock Option Scheme 2014 and Kaya Limited Employee Stock Option Scheme 2014 (Kaya Middle East FZE) is March 31, 2016 and March 31, 2017, respectively. The Exercise Period is of one year from the vesting date. The Scheme is administered by the Board of Kaya Limited.

The Board of Directors of Kaya Middle East FZE (a wholly owned subsidiary of KME Holding Pte Ltd) during the year ended March 31, 2015, granted Stock Options to an eligible employee pursuant to the Kaya Middle East FZE Employees Stock Option Scheme 2014 (KME FZE) (referred as 'KME ESOP'). One stock option is represented by one equity share of Kaya Middle East FZE. The vesting date is April 30, 2017 and the Exercise Period is of 6 months from the vesting date. Upon exercise of the Option, Kaya Middle East FZE /its Holding Compnay / its Group Compnay shall buy the shares so issued, at a price based on a pre-determined valuation methodology. The scheme is administered by the Board of Kaya Middle East FZE.

	As at March 31, 2016		As at March 31, 2015	
	Kaya ESOP	KME ESOP	Kaya ESOP	KME ESOP
Weighted average share price of options exercised	NA	NA	NA	NA
Number of options granted, exercised, and forfeited				
Balance as at beginning of the year	135,771	22	-	-
Granted during the year	-	-	135,771	22
Less : Exercised during the year	-		-	-
Forfeited / lapsed during the year	4,857	-	-	-
Balance as at end of the year	**130,914**	**22**	**135,771**	**22**
Percentage to current paid-up equity share capital of the Company	**1.02%**	**5.99%**	**1.05%**	**5.99%**

The Company has applied the intrinsic value based method of accounting for determining compensation cost for its stock based compensation plan and has accordingly accounted Rs. 61.73 lacs (Previous Year Rs. 32.66 lacs) as compensation cost under the 'intrinsic value' method (Refer note 25). Had the Company considered 'fair value' method for accounting of compensation cost, the Company's net income and Basic and Diluted earnings per share as reported would have reduced to the pro-forma amounts as indicated:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Net Profit after tax as reported (Rs. in lacs)	879.77	3,178.33
Add : Stock-based employee compensation expense included in Net profit (Rs. in lacs)	61.73	32.66
Less : Stock-based employee compensation expense as per Fair Value (Rs. in lacs)	104.60	79.66
Adjusted pro-forma (Rs. in lacs)	836.90	3,131.33
Basic earnings per share as reported (Rs.)	6.82	24.64
Pro-forma basic earnings per share (Rs.)	6.48	24.28
Diluted earnings per share as reported (Rs.)	5.94	23.59
Pro-forma diluted earnings per share (Rs.)	5.61	23.23

The following assumptions were used for calculation of fair value of grants:

	Kaya ESOP	KME ESOP
Risk-free interest rate (%)	8.47%	3.76%
Expected life of options (years)	1.98	2.92
Expected volatility (%)	65.00%	19.10%
Dividend yield	0.00%	0.00%

(Amount in Rs. Lacs)

	As at March 31, 2016	As at March 31, 2015
4. RESERVES AND SURPLUS		
(a) Capital Reserve		
Balance as at the beginning of the year	2,652.82	-
Add : Arising pursuant to the Scheme (Refer Note 1B(f))	-	2,652.82
Balance as at the end of the year	2,652.82	2,652.82
(b) Securities Premium		
Balance as at the beginning of the year	21,497.60	12,129.77
Add : Arising pursuant to the Scheme (Refer Note 1B(f))	-	25,767.10
Less : Adjusted pursuant to the Scheme (Refer Note 1B(f))	-	16,399.27
Balance as at the end of the year	21,497.60	21,497.60
(c) Foreign Currency Translation Reserve		
Balance as at the beginning of the year	(466.34)	(905.13)
Exchange gain on translations during the year	726.32	438.79
Balance as at the end of the year	259.98	(466.34)
(d) Employee Stock Option Outstanding Account (Refer Note 3(g)):		
Balance as at the beginning of the year	32.66	-
Add: Addition during the year (net) (Refer Note 25)	61.73	32.66
Balance as at the end of the year	94.39	32.66
(e) Surplus / (Deficit) in the Statement of Profit and Loss:		
Balance as at the beginning of the year	(1,544.18)	(4,728.23)
Add : Arising pursuant to the Scheme (Refer Note 1B(f))	-	5.72
Profit for the year	879.77	3,178.33
Balance as at the end of the year	(664.41)	(1,544.18)
	23,840.38	**22,172.56**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. DEFERRED TAX LIABILITIES

There are no deferred tax liabilities as at the year end. Deferred tax assets has not been recognised on carried forward business loss, unabsorbed depreciation and other item of deferred tax assets, as there is no virtual certainty of its realization on account of the losses incurred by the Company.

6. LONG-TERM PROVISIONS

Provision for Gratuity	534.39	389.91
Other provisions:		
- Provision for equalisation of rent expenses (Refer Note (a) below)	588.06	382.08
- Provision for site restoration cost (Refer Note (b) below)	35.60	161.50
Total	**1,158.05**	**933.49**

a) Provision for equalisation of rent expenses represents amounts recorded towards recognition of rent expenses on straight line basis over the lease period.

b) Provision for site restoration cost:

Opening balance as at the beginning of the year	185.30	147.90
Additions during the year	3.60	37.40
Less: Provision utilised /written back during the year	(146.90)	-
Balance as at the end of the year	42.00	185.30
Classified as Non-current:	35.60	161.50
Classified as Current:	6.40	23.80
Total	**42.00**	**185.30**

The Company uses various leased premises. A provision for site restoration cost is recognised for the estimates made for probable liability towards the restoration of these premises at the end of lease period. Provision written back during the year represents site restoration cost written back due to revision in estimated probable liability towards restoration of leased premises.

7. OTHER LONG TERM LIABILITIES

Employee Deposit @	99.20	-
Total	**99.20**	**-**

@ Employee Deposit comprise deposit from an employe stock option holder (interest free).On excercise of the option, the deposit will be adjusted towards the excercise value. In case, the optons are not excercised, the deposit will be refunded to the option holder.

(Amount in Rs. Lacs)

	As at March 31, 2016	As at March 31, 2015
8. TRADE PAYABLES		
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises:		
Trade payables	3,678.28	2,819.36
Payable to a related party (Refer Note 35)	84.72	55.45
Total	**3,763.00**	**2,874.81**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The disclosure pursuant to the said Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act') are as follows:

Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end.	–	–
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end.	–	–
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year.	–	–
Interest paid other than under Section 16 of MSMED Act to suppliers registered under the MSMED Act, beyond the appointed day during the year.	–	–
Interest paid under Section 16 of MSMED Act to suppliers registered under the MSMED Act, beyond the appointed day during the year.	–	–
Interest due and payable towards suppliers registered under MSMED Act for payments already made.	–	–
Further ineterest remaining due and payable for earlier years.	–	–

9. OTHER CURRENT LIABILITIES

Advances from customers	7,350.05	7,035.83
Book overdraft	29.21	77.28
Statutory dues including provident fund and tax deducted at source	170.07	167.55
Creditors for capital goods	90.92	115.71
Employee benefits payable	1,415.47	1,236.25
Others	155.53	96.34
Total	**9,211.25**	**8,728.96**

10. SHORT–TERM PROVISIONS

Provision for employee benefits:		
Gratuity	215.00	216.41
Leave encashment	587.52	518.30
	802.52	734.71
Other provisions:		
Provision for site restoration cost (Refer Note 6(b))	6.40	23.80
Other Provisions (Refer Note (a) below)	340.36	340.36
Provision for equalisation of rent expenses (Refer Note 6(a))	93.88	171.99
	440.64	536.15
Total	**1,243.16**	**1,270.86**

Other Provisions:

Other Provisions relates to a statutory matter. Any additional information in this regard can be expected to significantly prejudice the position of the Company

Opening balance	340.36	340.36
Add: Amounts provided during the year	-	-
Balance as at the end of the year	340.36	340.36

11. (a) Fixed Assets

(Amount in Rs. Lacs)

	GROSS BLOCK					DEPRECIATION/ AMORTISATION					IMPAIRMENT				NET BLOCK
	As at April 1, 2015	Additions	Acquisition (Refer Note (b) below)	Deductions / Adjustments (Refer Note (a) below)	As at March 31, 2016	As at April 1, 2015	Acquisition (Refer Note (b) below)	For the year	Deductions / Adjustments (Refer Note (a) below)	Upto March 31, 2016	As at April 1, 2015	Deductions / Adjustments (Refer Note (a) below)	Upto March 31, 2016	As at March 31, 2016
Tangible assets															
Building	-	552.07	-	(6.88)	558.95	-	-	3.83	(0.05)	3.88	-	-	-	555.07
Plant and equipment	11,478.46	2,146.50	255.09	160.88	13,719.17	6,941.42	56.84	1,092.50	209.73	7,881.03	1,199.82	(6.02)	1,193.80	4,644.34
Furniture and fixtures	4,706.92	357.35	127.83	(58.94)	5,251.04	2,628.68	33.54	299.30	(36.67)	2,998.19	1,174.64	12.10	1,186.74	1,066.11
Vehicles	30.59	6.98	-	2.14	35.43	19.63	-	6.88	1.53	24.98	-	0.46	0.46	9.99
Office equipment	606.12	78.80	23.82	8.31	700.43	441.74	4.99	60.23	41.66	465.30	103.03	(8.51)	94.52	140.61
Leasehold improvements	875.84	505.08	-	133.89	1,247.03	134.58	-	166.48	90.01	211.05	11.68	-	11.68	1,024.30
Total – A	**17,697.93**	**3,646.78**	**406.74**	**239.40**	**21,512.05**	**10,166.05**	**95.37**	**1,629.22**	**306.21**	**11,584.43**	**2,489.17**	**(1.97)**	**2,487.20**	**7,440.42**
Intangible assets														
Trademarks and copyrights	1.52	-	-	1.52	-	0.45	-	-	0.45	-	-	-	-	-
Goodwill	254.61	-	-	(15.28)	269.89	15.16	-	38.08	(1.38)	54.62	-	-	-	215.27
Computer software	262.86	275.00	-	(0.63)	538.49	232.16	-	26.82	0.64	258.34	13.50	-	13.50	266.65
Total – B	**518.99**	**275.00**		**(14.39)**	**808.38**	**247.77**	**-**	**64.90**	**(0.29)**	**312.96**	**13.50**	**-**	**13.50**	**481.92**
Total – A + B	**18,216.92**	**3,921.78**	**406.74**	**225.01**	**22,320.43**	**10,413.82**	**95.37**	**1,694.12**	**305.92**	**11,897.39**	**2,502.67**	**(1.97)**	**2,500.70**	**7,922.34**

Notes:

a) Deductions / adjustments of Gross block, depreciation / amortisation and impairment includes translation difference of Rs. 155.11 lacs.

b) During the year, Kaya Middle East DMCC acquired IRIS Medical Centre LLC, a subsidiary, under sale and purchase agreement for an aggregate consideration of Rs. 766.57 lacs (AED 42.50 lacs). The excess of consideration paid over net assets taken over resulted in goodwill on consolidation of Rs. 505.57 Lacs. (Refer Note 12)

11. (b) Fixed Assets (Previous Year)

(Amount in Rs. Lacs)

	GROSS BLOCK				DEPRECIATION/ AMORTISATION				IMPAIRMENT		NET BLOCK	
	As at April 1, 2014	Additions	Deductions / Adjustments (Refer Note (a) below)	As at March 31, 2015	As at April 1, 2014	For the year	Deductions/ Adjustments (Refer Note (a) below)	Upto March 31, 2015	As at April 1, 2014	Deductions/ Adjustments (Refer Note (a) below)	Upto March 31, 2015	As at March 31, 2015
Tangible assets												
Plant and equipment	10,226.99	2,029.99	778.52	11,478.46	6,990.95	787.54	837.07	6,941.42	1,196.11	3.71	1,199.82	3,337.22
Furniture and fixtures	4,310.53	386.04	(10.35)	4,706.92	2,417.94	230.09	19.35	2,628.68	1,156.17	18.47	1,174.64	903.60
Vehicles	66.48	14.36	50.25	30.59	35.82	8.97	25.16	19.63	-	-	-	10.96
Office equipment	585.04	48.21	27.13	606.12	448.63	30.90	37.79	441.74	103.82	(0.79)	103.03	61.35
Leasehold improvements	391.92	483.92	-	875.84	68.34	66.24	-	134.58	11.68	-	11.68	729.58
Total (A)	**15,580.96**	**2,962.52**	**845.55**	**17,697.93**	**9,961.68**	**1,123.74**	**919.37**	**10,166.05**	**2,467.78**	**21.39**	**2,489.17**	**5,042.71**
Intangible assets												
Trademarks and copyrights	1.52	-	-	1.52	0.45	-	-	0.45	-	-	-	1.07
Goodwill (Refer Note (b) below)	-	249.09	(5.52)	254.61	-	14.83	(0.33)	15.16	-	-	-	239.45
Computer software	249.50	13.36	-	262.86	211.92	20.24	-	232.16	13.50	-	13.50	17.20
Total (B)	**251.02**	**262.45**	**(5.52)**	**518.99**	**212.37**	**35.07**	**(0.33)**	**247.77**	**13.50**	**-**	**13.50**	**257.72**
Total (A + B)	**15,831.98**	**3,224.97**	**840.03**	**18,216.92**	**10,174.05**	**1,158.81**	**919.04**	**10,413.82**	**2,481.28**	**21.39**	**2,502.67**	**5,300.43**

Notes:

a) Deductions / adjustments of Gross block, depreciation / amortisation and impairment includes translation difference of Rs. 68.26 lacs.

b) During the year, Kaya Middle East FZE acquired a clinic under sale and purchase agreement for an aggregate consideration of Rs. 353.75 lacs (AED 21.25 lacs). The excess of consideration paid over net assets taken over resulted in Goodwill of Rs. 249.09 lacs.

c) Furniture and fixtures also includes leasehold improvements, the amounts for which is not separetly indentifiable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.Lacs)

		As at March 31, 2016	As at March 31, 2015
12.	**GOODWILL ON CONSOLIDATION**		
	Balance as at the beginning of the year	5,914.44	5,507.01
	Add: Translation difference	586.16	407.43
	Add:- Goodwill on Acquisition (Refer Note 1 (c) (ii) and 11 (A) (b))	505.57	-
	Total	**7,006.17**	**5,914.44**
13.	**LONG–TERM LOANS AND ADVANCES**		
	(Unsecured and considered good, unless otherwise stated)		
	Capital advances	325.25	126.13
	Security deposits	1,930.05	1,907.82
	Deposits with Government Authorities	12.84	56.84
	Prepaid expenses	90.72	84.38
	Income tax payments (Net of provision for income tax Rs. 555.00 lacs (Previous year Rs. 555.00 lacs))	44.62	21.18
	Total	**2,403.48**	**2,196.35**
14.	**OTHER NON–CURRENT ASSETS**		
	(Unsecured and considered good, unless otherwise stated)		
	Term deposits with banks with maturity period more than 12 months @	15.54	13.82
	Interest accrued on long-term deposits with banks	1.16	1.51
	Total	**16.70**	**15.33**
	@ Term deposits with banks includes:		
	- Amount deposited with sales tax authorities	0.72	0.72
	- Held as lien by Bank against guarantees issued on behalf of the Company.	14.82	13.10

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.Lacs)

		As at March 31, 2016	As at March 31, 2015
15.	**CURRENT INVESTMENTS**		
	(at lower of cost and fair market value)		
	Non-trade Short Term Investments:		
	ICICI Prudential Banking & PSU Debt Fund - Regular Plan-Growth	-	1,520.60
	NIL (10,058,704) Units of Rs. 10 each fully paid		
	Birla Sun Life Cash Plus Fund-Growth-Regular Plan	-	139.03
	NIL (62,182) Units of Rs. 100 each fully paid		
	HDFC High Interest Fund-Dynamic Plan-Growth	-	1,500.00
	NIL (3,125,456) Units of Rs. 10 each fully paid		
	Baroda Pioneer Treasury Advantage Fund-Plan A-Growth	-	1,670.89
	NIL (105,136) Units of Rs. 1,000 each fully paid		
	Reliance Money Manager Fund -Growth Plan	-	340.00
	NIL (17,801) Units of Rs. 1,000 each fully paid		
	SBI Treasury Advantage Fund -Regular Plan-Growth	-	1,000.00
	NIL (65,550) Units of Rs. 1,000 each fully paid		
	Principal Debt Opportunities Fund Corporate Bond Plan-Regular Plan Growth	-	1,500.00
	NIL (71,815) Units of Rs. 1,000 each fully paid		
	Religare Invesco Short Term Fund - Growth	-	1,648.16
	NIL (89,193) Units of Rs. 1,000 each fully paid		
	Reliance Liquid Fund -Treasury Plan-Growth	-	425.00
	NIL (12,535) Units of Rs. 10 each fully paid		
	Reliance Liquid Fund- Growth	-	80.00
	NIL (3,815) Units of Rs. 1,0000 each fully paid		
	IDFC Dynamic Bond Fund-Growth-Regular	-	1,500.00
	NIL (8,902,923) Units of Rs. 10 each fully paid		
	Franklin India Ultra Short Bond Fund - Super Institutional Plan - Growth	-	1,613.78
	NIL (8,722,533) Units of Rs. 10 each fully paid		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.Lacs)

	As at March 31, 2016	As at March 31, 2015
Tata Short Term Bond Fund-Plan A-Growth NIL (5,818,825) Units of Rs. 10 each fully paid	-	1,500.00
Reliance Liquid Fund - Treasury Plan - Daily Dividend NIL (7,427) Units of Rs. 1,000 each fully paid	-	252.82
SBI Magnum Insta Cash Fund Liquid Floater - Regular Plan-Growth 39,184 (21,139) Units of Rs. 1,000 each fully paid	1,004.18	500.00
DHFL Pramerica Low Duration Fund - Growth 7,357,120 (NIL) units of Rs. 10 each fully paid	1,500.44	-
HDFC Liquid Fund-Growth 1,379 (NIL) Units of Rs. 1,000 each fully paid	41.13	-
ICICI Prudential FMP Series 78-95 Days-Plan K-Cumulative 15,000,000 (NIL) Units of Rs. 10 each fully paid	1,500.00	-
Kotak Liquid Scheme Plan A-Growth 3,915 (NIL) Units of Rs. 1,000 each fully paid	120.00	-
Reliance Medium Term Fund - Growth 47,91,054 (NIL) Units of Rs. 10 each fully paid	1,500.48	-
Religare Invesco Medium Term Bond Fund - Growth 98,557 (NIL) Units of Rs. 1,000 each fully paid	1,500.45	-
SBI Magnum Insta Cash Fund -Regular Plan-Growth 4,690 (NIL) Units of Rs. 1,000 each fully paid	156.68	-
UTI Floating Rate Fund-STP-Reg-growth 61,445 (NIL) Units of Rs. 1,000 each fully paid	1,500.29	-
TOTAL	**8,823.65**	**15,190.28**
Aggregate amount of unquoted investments (At cost)	**8,823.65**	**15,190.28**
Aggregate amount of unquoted investments (At Net asset value)	**8,853.98**	**15,354.50**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.Lacs)

		As at March 31, 2016	As at March 31, 2015
16.	**INVENTORIES**		
	(Refer note 2(g) for basis of valuation)		
	Stores, spares and consumables	2,113.59	1,074.06
	Raw materials	374.93	211.03
	Packing materials	288.74	352.17
	Work-in-process #	6.84	85.48
	Finished goods #	2,489.08	1,587.80
	Stock-in-trade #	21.08	37.72
	Total	**5,294.26**	**3,348.26**
	# Skin care Products		
17.	**TRADE RECEIVABLES**		
	Unsecured, considered good :		
	Outstanding for a period exceeding 6 months from the date they are due for payment	3.26	17.54
	Others	144.57	27.45
		147.83	44.99
	Unsecured, considered doubtful :		
	Outstanding for a period exceeding 6 months from the date they are due for payment	29.05	9.05
	Others	-	-
		29.05	9.05
	Less : Provision for doubtful debts	29.05	9.05
	Total	**147.83**	**44.99**
18.	**CASH AND BANK BALANCES**		
	Cash and cash equivalents:		
	Cash on hand	132.92	159.26
	Bank balances:		
	In current accounts	2,644.87	2,603.76
	Total	**2,777.79**	**2,763.02**
19.	**SHORT–TERM LOANS AND ADVANCES**		
	(Unsecured and considered good, unless otherwise stated)		
	Receivable from a Related Party (Refer Note 35)	10.39	11.27
	Advances to suppliers	819.62	649.76
	Advance given to a party	318.34	300.32
	Balances with Government Authorities	104.18	84.71
	Security deposits	362.41	173.71
	Prepaid expenses	818.22	647.01
	Loans and advances to employees	244.84	177.50
	Inter corporate deposits including Interest accrued	3,209.79	-
	Total	**5,887.79**	**2,044.28**
20.	**OTHER CURRENT ASSETS**		
	(Unsecured and considered good, unless otherwise stated)		
	Others	127.72	134.24
	Total	**127.72**	**134.24**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.Lacs)

		Year ended March 31, 2016	Year ended March 31, 2015
21.	**REVENUE FROM OPERATIONS**		
	Sale of services #	31,464.47	28,106.32
	Sale of productss #	5,520.23	5,045.42
		36,984.70	33,151.74
	Other operating revenues	5.28	75.32
	Total	**36,989.98**	**33,227.06**
	# Skin care products and services		
22.	**OTHER INCOME**		
	Interest income on fixed deposits and others	240.67	12.24
	Dividend Income on current investments	11.31	16.69
	Profit on sale of current investments (net)	913.28	1,417.96
	Liabilities written back to the extent no longer required (net)	69.47	-
	Net gain on foreign currency transactions and translation	-	2.58
	Provision for diminution in the value of current investments written back	-	33.01
	Other non operating income	8.64	62.38
	Total	**1,243.37**	**1,544.86**
23.	**COST OF MATERIALS CONSUMED**		
	Raw materials consumed	3,915.96	3,171.94
	Packing materials consumed	669.11	613.07
	Total	**4,585.07**	**3,785.01**
24.	**CHANGES IN INVENTORIES OF FINISHED GOODS, WORK–IN–PROCESS AND STOCK–IN–TRADE**		
	Stock at the end of the year		
	- Work-in-process	6.84	85.48
	- Finished goods	2,489.08	1,587.80
	- Stock-in-trade	21.08	37.72
	Total (A)	2,517.00	1,711.00
	Stock at the beginning of the year		
	- Work-in-process	85.48	34.51
	- Finished goods	1,587.80	1,334.86
	- Stock-in-trade	37.72	36.65
	Total (B)	1,711.00	1,406.02
	Changes in inventories (B – A)	**(806.00)**	**(304.98)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.Lacs)

		Year ended March 31, 2016	Year ended March 31, 2015
25.	**EMPLOYEE BENEFITS EXPENSES**		
	Salaries, wages and bonus	11,591.89	9,447.19
	Contribution to provident and other funds	218.46	189.98
	Employee stock option charge (Refer note 3(g))	61.73	32.66
	Gratuity	202.04	189.85
	Staff welfare expenses	793.48	754.05
	Total	**12,867.60**	**10,613.73**
26.	**FINANCE COSTS**		
	Interest on borrowings	0.08	0.57
	Others	1.90	1.70
	Total	**1.98**	**2.27**
27.	**OTHER EXPENSES**		
	Consumption of consumables and stores and spare parts	2,820.83	2,193.55
	Contract manufacturing expenses	355.84	310.76
	Payments to consultants	1,870.30	1,567.89
	Electricity expenses	459.98	453.52
	Rent (Refer Note 31)	4,730.98	4,055.46
	Repairs and maintenance:		
	-Plant and machinery	194.28	193.64
	-Building	953.59	774.15
	-Others	294.76	173.18
		1,442.63	1,140.97
	Insurance	53.14	57.34
	Rates and taxes	394.83	333.70
	Travelling, conveyance and vehicle expenses	945.44	710.04
	Legal and professional charges	1,427.91	1,483.14
	Directors' sitting fees	42.17	24.13
	Printing, stationery and communication expenses	551.52	398.01
	Advertisement and sales promotion	2,600.41	2,349.87
	Bank charges	431.34	383.87
	Freight forwarding and distribution expenses	69.59	61.83
	Provision for doubtful debts	20.00	-
	Net loss on foreign currency transactions and translation	9.74	-
	Loss on sale / discarding of assets (net)	68.74	2.08
	Miscellaneous expenses	557.49	280.48
	Total	**18,852.88**	**15,806.64**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.Lacs)

	Year ended March 31, 2016	Year ended March 31, 2015
28. CONTINGENT LIABILITIES:		
Claims against the Company not acknowledged as debts		
- Income tax matters	14,671.48	14,673.97
- Sales tax matters	384.26	530.35
- Service tax matters	436.80	221.39
- Other matters	19.00	38.20
Total	**15,511.54**	**15,463.91**

(a) In respect of above, future cash outflows is determinable only on receipt of judgments pending at various forums / authorities.

(b) Kaya Limited has been sanctioned cash credit and letter of credit facilities by a bank. This facility is secured by first and exclusive charge on all existing and future receivable and current assets and second pari passu charge on movable fixed assets of the Company. Details of the same is as under:

Limit available for cash credit and letter of credit	2,000.00	1,500.00
Amount outstanding towards the facilities on account of letter of credit	7.44	12.58

29. CAPITAL AND OTHER COMMITMENTS		
(a) Capital Commitments:		
Estimated value of contracts in capital account remaining to be executed (net of capital advances)	43.21	84.25
(b) Other Commitments:		
Lease termination cost - representing lock-in-period rental under rental agreements	688.54	517.20
Total	**731.75**	**601.45**

30. DERIVATIVE TRANSACTIONS:

The Group has entered into derivative transactions during the year, however there were no derivative transactions outstanding as on March 31, 2016 and as on March 31, 2015. Net foreign currency exposure not hedged as at the year end were as under:-

Particulars	Foreign currency amount			Equivalent amount in Rupees in Lacs	
	Currency	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
Trade payables	USD	29,693	13,173	19.69	8.23
	EURO	600	-	0.45	-
	AED	3,920	-	0.71	-
Trade receivables	USD	-	44,000	-	27.50
		-	-	-	-
Bank balances	USD	977,647	1,550,871	648.30	969.26
		-	-	-	-
Long – term Loans and Advances	USD	93,763	-	62.20	-
Short-term advances	USD	168,876	77,594	112.02	48.49
	EURO	13,900	13,900	10.44	9.32
	GBP	-	170	-	0.16
	AED	7,500	-	1.35	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31. ADDITIONAL INFORMATION FOR ASSETS TAKEN ON LEASE:

The Group's significant leasing arrangements are in respect of residential flats, office premises, Skin clinics, warehouses, etc taken on lease. The arrangements range between 11 months to 9 years and are generally renewable by mutual consent or mutually agreeable terms. Under these arrangements refundable interest-free deposits have been given.

Disclosure in respect of assets taken on non-cancellable operating lease:

(Amount in Rs. Lacs)

	As at March 31, 2016	**As at March 31, 2015**
Lease payments recognized in the Statement of Profit and Loss during the year *	4,730.98	4,055.46
Future minimum lease rentals payments payable:		
- not later than one year	386.51	336.54
- later than one year but not later than five years	302.03	180.66
- later than five years	-	-

*Including Contingent Rent Rs. 16.05 Lacs (Previous Year: Rs 17.90 Lacs)

32. DETAILS OF EXCEPTIONAL ITEMS DISCLOSED IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS ARE AS UNDER:

(Amount in Rs. Lacs)

	Year ended March 31, 2016	**Year ended March 31, 2015**
Payment for termination of sale and purchase agreeement	-	(479.78)

During the year ended March 31, 2014, the Board of Directors of Kaya Limited had expressed its intention to sell majority of its stake in one of its foreign step down subsidiary Kaya Middle East FZE ('KME'). However, during the previous year, KME Holding Pte Limited (Holding Company of KME) and prospective buyer were unable to agree on all terms and consequently arrived at an amicable settlement by KME Holdings Pte Limited paying Rs. 479.78 lacs which was disclosed as "Exceptional Items" in the Statement of Profit and Loss. The Board of Directors of the Company decided not to pursue any option for divestment of KME.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

33. EARNINGS PER SHARE

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Profit as per the Statement of Profit and Loss / Profit attributable available to equity shareholders (Rs.) [A]	879.77	3,178.33
Less: Dilutive effect of ESOPs issued by Kaya Middle East FZE (Refer Note 3(g))	112.33	132.13
Profit for the purpose of diluted EPS [B]	767.44	3,046.20
Equity shares outstanding as at the year end	12,897,100	12,897,100
Weighted average number of equity shares used as denominator for calculating basic earnings per share * [C]	12,897,100	12,897,100
Weighted average number of equity shares used as denominator for calculating diluted earnings per share[D]	12,922,899	12,910,478
Nominal value per equity share (Rs.)	10	10
Basic earnings per equity share (Rs.) [A/C]	6.82	24.64
Diluted earnings per equity share (Rs.) [B/D]	5.94	23.59

* For the purpose of calculating the weighted average number of equity shares for the year ended March 31, 2015, the equity shares issued pursuant to the Scheme (Refer Note 1B) have been considered effective April 1, 2014 being the appointed date for the Scheme.

Reconciliation of Basic and Diluted Shares used in computing earnings per share

	Year ended March 31, 2016	Year ended March 31, 2015
Number of shares considered as basic weighted average shares outstanding	12,897,100	12,897,100
Add: Effect of dilutive stock options	25,799	13,378
Number of shares considered as weighted average shares and potential share outstanding	12,922,899	12,910,478

34. SEGMENT INFORMATION

(i) Primary Segment:

In accordance with Accounting Standard 17 – "Segment Reporting", the Group has determined its business segment as 'Skin Care'. Since, 100% of the Group's business is from providing specialized skin care services and other related products, there are no other primary reportable segments. Thus, the segment revenue, segment results, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of charge for deprecation during the year is reflected in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Secondary Segment Information:

The Group has identified geographical markets as the Secondary segment:

Geographical Segments	Composition
All over India	Kaya Skin clinics, third party stores and skin bars in India
Middle East	Kaya Skin clinics and skin bars in Middle East

(Amount in Rs. Lacs)

	India	Middle East	Total
March 31, 2016			
Revenue	18,441.73	18,548.25	36,989.98
Carrying amount of assets	30,286.08	10,321.28	40,607.36
Capital expenditure	2,412.28	1,916.24	4,328.52
March 31, 2015			
Revenue	17,316.19	15,910.87	33,227.06
Carrying amount of assets	23,983.67	13,265.54	37,249.21
Capital expenditure	2,018.03	1,206.94	3,224.97

35. As per AS - 18 'RELATED PARTY DISCLOSURES'

a) Names of related parties and nature of relationship:

i) Key management personnel (KMP) :
Mr. Harsh Mariwala (Chairman and Managing Director)

ii) Enterprises over which KMP or their ralatives have significant influence and transactions have taken place during the year:

Marico Limited

Marico Middle East FZE

Soap Opera

iii) Joint venture of subsidiary:

Kaya - Al Beda JV

b) Transactions during the year:

(Amount in Rs. Lacs)

	Year ended March 31, 2016	Year ended March 31, 2015
Marico Limited		
Rent	76.02	64.75
Reimbursement of expenses incurred for the Group	78.73	112.26
Reimbursement of expenses incurred by the Group	-	22.00
Purchase of goods	28.95	15.62
Sale of fixed assets	-	0.62
Legal and professional charges	45.72	47.48
Security Deposit for rented premises	10.00	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs. Lacs)

	Year ended March 31, 2016	Year ended March 31, 2015
Kaya - Al Beda JV		
Management Fees	5.28	-
Soap Opera		
Purchase of goods	3.85	-
Marico Middle East FZE		
Rent paid	-	31.59
Reimbursement of expenses incurred for the Group	-	13.94
Reimbursement of expenses incurred by the Group	-	23.51

c) Balance Receivable/ (Payable) as at year end:

(Amount in Rs.Lacs)

	As at March 31, 2016	As at March 31, 2015
Marico Limited		
Trade payables	(84.72)	(55.45)
Long term loans and advances	10.00	-
Short term loans and advances	-	11.27
Kaya - Al Beda JV		
Short term loans and advances	10.39	-

Note - The above related party disclosure does not include transfer of assets and liabilities, issue and cancellation of shares pursuant to the schemes becoming effective (Refer note 1B)

36. During the year, the Company has identified a fraud perpetrated by an employee relating to embezzlement of sales collection through incorrect invoicing and claiming incentives etc. This has resulted into an estimated net loss of Rs. 72.90 lacs to the Company, which has been appropriately accounted in the financial statements. The Company has initiated legal action and is in process of filing insurance claim for the same. Further, the Company has remediated the underlying controls by the year end.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37. DISCLOSURE PURSUANT TO ACCOUNTING STANDARD 15 – EMPLOYEE BENEFITS

a) Brief descriptions of the plans:

The Group has various schemes for long-term benefits such as provident fund, leave encashment and gratuity. The Group defined contribution plan is provident fund since the Group has no further obligation beyond making the contributions. The Group defined benefit plans include gratuity. The employees of the Group are also entitled to leave entitlement as per the Group policy. The defined benefit plans are not funded.

b) Defined contribution plan:

The Group has recognised following amount as expenses and included in employees remuneration. (Refer note 25)

(Amount in Rs. Lacs)

	For the year ended March 31, 2016	For the year ended March 31, 2015
Contribution to provident fund	189.92	158.70
Contribution to employee state insurance contribution	28.38	31.08
Total	**218.30**	**189.78**

c) Defined benefit plans (Gratuity):

(Amount in Rs.Lacs)

		March 31, 2016	March 31, 2015
I	Actuarial assumptions for Gratuity benefits and Compensated absence for employees:		
	Discount rate	4.00% to 7.38%	4.50% to 8.01%
	Rate of return on plan assets *	7.38%	8.01%
	Salary escalation rate **	5.00% to 11.00%	5.00% to 11.00%
	Attrition rate	14.00% to 35.00%	14.00% to 46.00%
	* The expected rate of return on plan assets is based on expectation of the average long term rate of return expected on investment of the fund during the estimated term of the obligations. ** The estimates of future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.		
II	Change in defined benefit obligations:		
	Liability at beginning of the year	691.25	560.50
	Interest cost	39.77	31.65
	Current service cost	158.11	112.17
	Benefits paid	(163.55)	(106.77)
	Liabilities acquired (Refer Note 11(B)(b))	-	13.64
	Exchange difference	31.39	17.75
	Actuarial (gain) / loss on obligations	83.74	62.31
	Liability at the end of the year	**840.71**	**691.25**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.Lacs)

		March 31, 2016	March 31, 2015
III	Fair value of plan assets:		
	Fair value of plan assets at the beginning of the year	84.93	72.24
	Expected return on plan assets	6.80	6.28
	Actuarial gain / (losses) on plan assets	(0.41)	6.41
	Fair value of plan assets at the end of the year	**91.32**	**84.93**
IV	Actual return on plan assets:		
	Expected return on plan assets	6.80	6.28
	Actuarial gains / (losses) on plan assets	(0.41)	6.41
	Actual return on plan assets	**6.39**	**12.69**
V	Amount recognised in the Balance Sheet:		
	Liability at the end of the year	840.71	691.25
	Less: Fair value of plan assets at the end of the year	91.32	84.93
	Difference	749.39	606.32
	Unrecognised past service cost	-	-
	Liability recognised in the Balance Sheet	**749.39**	**606.32**
VI	Percentage of each category of plan assets to total fair value of plan assets:		
	Insurer managed funds	100%	100%
VII	Expense recognised in the Statement of Profit and Loss:		
	Current service cost	158.11	112.17
	Interest cost	39.77	31.65
	Expected return on plan assets	(6.80)	(6.28)
	Net actuarial (gain) / loss to be recognized	51.87	57.81
	Exchange difference	(40.91)	(5.50)
	Expense recognised in Statement of Profit and Loss	**202.04**	**189.85**
VIII	Balance Sheet reconciliation:		
	Opening net liability	606.32	488.26
	Expenses as above	202.04	189.85
	Liabilities Acquired	-	13.64
	Benefits paid	(163.55)	(106.77)
	Exchange difference	104.58	21.34
	Closing net liability	**749.39**	**606.32**
IX	Expected contribution for next year:		
	As per actuarial valuation report	118.31	99.70
X	Experience adjustments:		
	On plan liability (gain) / Loss	29.64	114.16
	On plan asset (gain) / Loss	0.41	(6.41)
XI	Closing net liability (as above)		
	Classified as short-term (Refer Note 10)	215.00	216.41
	Classified as long-term (Refer Note 7)	534.39	389.91

d) Compensated absences:

The Group permits encashment of privileged leave (except sick leave) accumulated by its employees on retirement and separation. The liability for unexpired leave is determined and provided on the basis of actuarial valuation at the Balance Sheet date. The privileged leave liability is not funded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amount recognized in the Balance Sheet and movements in net liability:

(Amount in Rs.Lacs)

Particulars	March 31, 2016	March 31, 2015
Opening Balance of Compensated Absences (a)	518.30	455.00
Present value of Compensated Absences (As per actuary valuation) as at the year end (b) (Refer Note 10)	587.52	518.30
Unfunded liability of Compensated Absences recognized in the Statement of Profit and Loss. For the year (b - a)	69.22	63.30

38. The proportionate share of the assets, liabilities, income and expenditure of the joint venture of a subsidiary company included in these consolidated financial statements is given below

(Amount in Rs.Lacs)

	As at March 31, 2016
EQUITY AND LIABILITIES	
Shareholders' funds	
Reserves and surplus	(15.68)
	(15.68)
Current liabilities	
Other current liabilities	136.80
Total	**121.12**
ASSETS	
Non-current assets	
Fixed assets	
Tangible assets	118.85
Capital work-in-progress	0.68
	119.53
Current assets	
Inventories	1.59
Total	**121.12**

JOINT VENTURE'S STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM JANUARY 28, 2016 TO MARCH 31, 2016

(Amount in Rs.Lacs)

	Period Ended March 31, 2016
REVENUE :	
Revenue from operations	17.26
TOTAL REVENUE	**17.26**
EXPENSES:	
Cost of materials consumed	2.42
Employee benefits expenses	11.97
Depreciation and amortisation	2.96
Other expenses	15.39
TOTAL EXPENSES	**32.74**
LOSS BEFORE TAXATION	**(15.48)**
Tax expenses	
- Current tax	-
- Income tax	-
- Deferred tax	-
LOSS AFTER TAXATION	**(15.48)**

39. Previous year figures have been re-grouped and reclassified wherever necessary to conform to this year's classification.

The notes are an integral part of these consolidated financial statements.

As per our attached report of even date.

For Price Waterhouse
Chartered Accountants
Firm Registration Number: 301112E

Uday Shah
Partner
Membership No.: 46061
Mumbai: May 26, 2016

For and on behalf of the Board of Directors of Kaya Limited

Harsh Mariwala
Chairman and Managing Director
DIN : 00210342

Nikhil Khattau
Director and Chairman of Audit and Risk Committee
DIN : 00017880

Dharmendar B Jain
Chief Financial Officer
Mumbai: May 26, 2016

Almas Badar
Company Secretary and Compliance officer

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholder of
KAYA Middle East FZE

Report on the financial statements

We have audited the accompanying financial statements of KAYA Middle East FZE ("the company") which comprise the statement of financial position as at 31 March 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 March 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

The Sharjah Emiri Decree No. 6 of 1995 concerning the formation of Free Zone Establishments in the Hamriyah Free Zone requires the net assets of the company to be above 75% of the share capital of the company. The net assets of the company as at 31 March 2016 were AED 25,070,222 (2014: AED 14,409,595) and were below 75% of the share capital of the company. The parent company has resolved that it is its intention to provide financial support to the company for a period of at least twelve months from the date of the approval of these financial statements, to enable the company both to meet its obligations as they fall due and to carry on its business without significant curtailment of its operations.

Except for the matter described in preceding paragraph, we report that the financial statements of the company comply with the applicable provisions of the Implementing Rules and Regulations issued pursuant to Sharjah Emiri Decree No. 6 of 1995, concerning the formation of Free Zone Establishments in the Hamriyah Free Zone.

PricewaterhouseCoopers
26 June 2016

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

BALANCE SHEET

	Note	As at 31 March 2016 AED	As at 31 March 2015 AED
ASSETS			
Non-current asset			
Property, plant and equipment	5	11,826,117	10,892,898
Goodwill	6	2,066,815	1,496,312
		13,892,932	12,389,210
Current assets			
Inventories	7	8,822,309	6,133,186
Trade and other receivables	8	11,188,687	6,981,569
Due from related parties	13	11,972,096	3,002,228
Cash and cash equivalents	9	14,241,120	14,222,093
		46,224,212	30,339,076
Total assets		**60,117,144**	**42,728,286**
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	10	55,050,000	55,050,000
Accumulated losses		(30,182,315)	(40,691,039)
Share based payment reserve		202,537	50,634
Net equity		25,070,222	14,409,595
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	11	3,629.890	3,076,108
Current liabilities			
Trade and other payables	12	30,573,479	25,063,531
Due to related parties	13	843,553	179,052
		31,417,032	25,242,583
Total liabilities		35,046,922	28,318,691
Total equity and liabilities		**60,117,144**	**42,728,286**

The notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 June, 2016 and signed on its behalf by:

Director

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2016 AED	Year ended 31 March 2015 AED
Revenue		102,618,367	95,577,975
Direct costs	**14**	(58,962,263)	(53,597,184)
Gross profit		43,656,104	41,980,791
Other operating income		34,683	74,485
Expenses			
Selling and marketing expenses	**15**	(5,972,931)	(5,509,799)
Administrative and general expenses	**16**	(27,209,132)	(23,317,361)
Profit for the year		10,508,724	13,228,116
Other comprehensive income		-	-
Total comprehensive income for the year		**10,508,724**	**13,228,116**

The notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Share based payment reserve	Total
	AED	AED	AED	AED
At 1 April 2014	55,050,000	(53,919,155)	-	1,130,845
Movement in share based payment reserve	-	-	50,634	50,634
Total comprehensive income for the year	-	13,228,116	-	13,228,116
At 31 March 2015	55,050,000	(40,691,039)	50,634	14,409,595
Movement in share based payment reserve	-	-	151,903	151,903
Total comprehensive income for the year	-	10,508,724	-	10,508,724
At 31 March 2016	55,050,000	(30,182,315)	202,537	25,070,222

STATEMENT OF CASH FLOWS

	Notes	Year ended 31 March 2016 AED	Year ended 31 March 2015 AED
Cash flows from operating activities			
Profit for the year		10,508,724	13,228,116
Adjustments for:			
Depreciation	5	3,652,694	3,031,490
Amortisation	6	21,136	-
Reversal of provision for slow moving and expired inventory	7	(122,380)	(119,734)
Share based payment expense		151,903	50,634
Provision for employees' end of service benefits	11	860,632	969,092
Profit on sale on disposal of assets	5	-	(17,823)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**15,072,709**	**17,141,775**
Payment of employees' end of service benefits	11	(306,850)	(393,245)
Changes in working capital:			
Inventories before provision for slow moving and expired inventory	7	(2,566,743)	(421,731)
Trade and other receivables	8	(4,207,118)	(1,153,716)
Trade and other payables	12	5,509,948	40,244
Due to related parties	13	664,501	(169,440)
Due from related parties	13	(8,969,868)	(1,434,056)
Net cash generated from operating activities		**5,196,579**	**13,609,831**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(4,597,777)	(5,679,343)
Purchase of intangible asset	6	(591,639)	(1,496,312)
Net movement in restricted cash margin		-	(50,000)
Proceeds from disposal of assets		11,864	99,607
Net cash used in investing activities		**(5,177,552)**	**(7,126,048)**
Net increase in cash and cash equivalent		**19,027**	**6,483,783**
Cash and cash equivalents at beginning of year		14,172,093	7,688,310
Cash and cash equivalents at end of year	9	**14,191,120**	**14,172,093**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 General information

KAYA Middle East FZE (“the company”) was incorporated in Sharjah Hamriyah Free Zone on 25 December 2005 as a Free Zone Company with limited liability pursuant to Emirate Decree No 6 of 1995 of H. H. Sheikh Dr. Sultan Bin Mohammed Al-Qassimi, Ruler of Sharjah. The principal place of business is P.O. Box 41756, Sharjah, UAE.

The company is engaged in the business of providing products and services in the area of skin care treatment and aesthetics and import, export, trading in skin care machinery, consumables and products and providing related services.

These financial statements include assets, liabilities and the result of operations of skin care clinics operating in the United Arab Emirates, Sultanate of Oman and Kingdom of Saudi Arabia under the local sponsorship arrangements.

The company is a wholly owned subsidiary of “KME Holdings Pte Limited” (“parent company”), a company registered in Singapore. The ultimate parent company is “Kaya Limited”, a company registered in India.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Going concern

As at 31 March 2016, the company had accumulated losses of AED 30,182,315 (2015: AED 40,691,039). The parent company has confirmed its intention to provide support to the company to enable it to meet its liabilities as they fall due, as well as to carry on its business without significant curtailment of its operations. Accordingly, these financial statements have been prepared on a going concern basis.

2.2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). These financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4

(a) New standards, amendments and interpretations adopted by the company

There are no relevant new standards, amendments or interpretations which are effective for the financial year commencing on 1 April 2015, which have a material impact on the company’s financial statements.

(b) New and amended standards not yet adopted

Certain new standards and amendments to existing standards have been published and are mandatory for the company’s accounting periods beginning after 1 April 2015 or later periods, but have not been early adopted by the company. Management is currently assessing the following standards and amendments which are likely to have an impact on the company’s financial statements:

- IAS 1 (amendment), ‘Presentation of financial statements’ (effective from 1 January 2016);
- IAS 16 (amendment), ‘Property, plant and equipment’ (effective from 1 January 2016);
- IAS 38 (amendment), ‘Intangible assets’ (effective from 1 January 2016);
- IFRS 9, ‘Financial instruments’ (effective from 1 January 2018);

- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2017) ;and
- IFRS 16, 'Leases' (effective from 1 January 2019)

There are no other relevant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company's financial statements.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in United Arab Emirates Dirhams ("AED") which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into AED using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The historical cost of equipment includes expenditure that is directly attributable to the acquisition of assets. Subsequent costs are included in the 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 the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives, as follows:

	Years
Furniture and fixtures	3 – 7
Machinery and equipment	2 – 7
Office equipment	2 – 7
Motor vehicles	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4).

Capital work-in-progress is not depreciated. This will be depreciated as per company policy from the date the relevant assets are ready for use. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.5 Intangible assets (other than goodwill)

Separately acquired software licences are shown at historical cost less accumulated amortisation. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate their cost to their estimated residual values over their estimated useful lives, as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	Years
Computer software	7

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

2.6 Goodwill

Goodwill arises on the acquisition of clinics and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. If the total of consideration transferred is less than the fair value of the net assets of the clinics acquired, the difference is recognised directly in the statement of comprehensive income.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.7 Impairment of non-financial assets

Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Inventories

Inventories comprise spare parts and consumables. Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Financial assets

2.9.1 Classification

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The company classifies its financial assets as loans and receivables. Where permitted, financial assets are reclassified between categories if there is a change in management's intent regarding the future use of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' (excluding advances and prepayments), due from related parties and cash and bank balances in the statement of financial position (Note 8, 13 and 9).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date the date on which the company commits to purchase or sell the asset. Loans and receivables are initially measured at fair value and subsequently carried at amortised cost using effective interest method.

2.9.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9.4 Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2.10 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand, balances in current and deposit accounts with original maturity of less than or equal to three months.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Provision for employee benefits

A provision is made for the estimated liability for employees’ entitlement to annual leave and leave passage as a result of services rendered by the employees up to the statement of financial position date. A provision is also made,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

using actuarial techniques, for the full amount of end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the statement of financial position date. The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to employees' end of service benefits is disclosed as a non-current liability.

2.14 Share based payments

Incentives in the form of share-based compensation benefits are provided to executives under share option and performance share schemes approved by ultimate parent company Kaya Limited.

Options and share awards are fair valued by qualified advisors at their grant dates in accordance with the requirements of IFRS 2: Share-based payments, using a Black-Scholes model. The cost of equity-settled transactions is recognised, together with the corresponding increase in equity, on a straight-line basis over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The fair value calculation of options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, Kaya Limited revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in the statement of comprehensive income.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of discounts and returns. The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Sales of goods

Revenue from sales of goods are recognised when the company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the risks and rewards have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Rendering of services

Revenue from the rendering of services is recognised when the company has provided the services to the customer.

2.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3 Financial risk management

3.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

(a) Market risks

(i) Foreign exchange risk

The company is exposed to foreign exchange risk mainly on its transactions denominated in a currency other than the functional currency of the company.

The company does not have a significant foreign currency risk exposure since the majority of the transactions are denominated in AED, Omani Rial, Saudi Riyal or US Dollars and AED, Omani Rial, Saudi Riyal are currently pegged with the US Dollar.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The company is not exposed to risk of changes in fair value or future cash flows of a financial instrument that will fluctuate because of changes in market prices as it does not hold any investments. The company is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

At 31 March 2016 and 2015, the company was not exposed to cash flow interest rate risk as it did not have any financial assets or liabilities carrying variable interest rates.

(b) Credit risk

Credit risk is the risk that the counter party will cause a financial loss to the company by failing to discharge an obligation. Credit risk mainly arises from bank balances, trade and other receivables (excluding advances and prepayments) and due from related parties.

Credit risk arises from bank balances as well as credit exposures to customers, including outstanding receivables and committed transactions. Bank balances are with reputable banks. Significant bank balances are with the banks having the following credit ratings as per Moody's Investor Services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

		31 March 2016	31 March 2015
		AED	AED
Bank	**Credit rating**		
A	Baa2	5,537,816	5,920,079
B	A1	4,558,081	-
C	Aa2	3,736,551	7,854,862
		13,832,448	13,774,941

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The company relies mainly on funding from the parent company.

The company's financial liabilities comprise of trade and other payables (excluding advances from customers) and due to related parties. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3.2 Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. In order to maintain or adjust the capital structure, the company issue new shares or sell assets to reduce debt.

The parent company has confirmed its intention to continue to provide the financial support to the company for a period of at least twelve months from the date of signing of these financial statements to enable the company both to meet its obligations as they fall due and to carry on its business without a significant curtailment of its operations.

3.3 Fair value estimation

At 31 March 2016 and 2015, the fair values of the financial assets and liabilities of the company approximated their carrying values as reflected in these financial statements.

4 Critical accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) *Provision of slow moving and expired inventory*

The provision reflects estimates of slow moving and expired inventory. The charge is based on the ageing of the inventory items, technological obsolescence, present conditions of items and the historical experience of business. Changes to the estimated provisions may be required if the demand for slow moving items increases or decreases or a firm commitment from a customer has been received.

(b) *Impairment of property, plant and equipment*

Impairment of non-financial assets is a key area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of the impairment reviews. The key assumptions on which management has based its cash flow projections when determining the recoverable amount of the assets are as follows:

- Management's projections have been prepared on the basis of strategic plans, knowledge of the market, and management's views on achievable growth in market share over the long term period of four to seven years.
- The discount rates applied to cash flows are based on the company's weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate. The weighted average cost of capital is 10%.
- Year on year growth rate assumptions are based on a conservative view of the long-term rate of growth. The year on year growth rate of revenue is 7% in the first and second year, 3% in the third and fourth year and then 2% thereafter.
- Average useful life of the leasehold improvements in clinics is 7 years.
- If the cost of capital is lowered by 1% / revenue growth is lowered by 2% in first four years, individually with all other assumptions are held constant there will not be material impact on impairment of property, plant and equipment.

(c) *Impairment of goodwill*

Goodwill is tested for impairment annually and at other times when such indicators exist. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions on which management has based its cash flow projections when determining the recoverable amount of the goodwill are as follows:

- The discount rates applied to cash flows are based on the company's weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate. The weighted average cost of capital is 10%.
- Year on year growth rate assumptions are based on a long-term rate of growth. The year on year growth rate of revenue is 15% in the first year, 8% in second year, 7.5% in the third and fourth year and then 5% thereafter.
- Average useful life of the leasehold improvements in clinics is 7 years.
- If the cost of capital is lowered by 1% / revenue growth is lowered by 2% in first four years, individually with all other assumptions are held constant there will not be material impact on impairment of goodwill.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

5 Property, plant and equipment

	Furniture and fixtures	Machinery and equipment	Office equipment	Motor vehicles	Capital work in progress	Total
	AED	AED	AED	AED	AED	AED
Cost						
At 1 April 2014	15,594,309	16,143,918	836,055	407,700	85,002	33,066,984
Additions	378,886	4,947,522	256,200	86,265	10,470	5,679,343
Disposals	-	-	-	(314,205)	-	(314,205)
Transfers	85,000	-	-	-	(85,000)	-
At 31 March 2015	16,058,195	21,091,440	1,092,255	179,760	10,472	38,432,122
Additions	34,424	3,799,558	233,948	39,160	490,687	4,597,777
Disposals	(121,361)	(825,276)	(310,535)	(22,517)	-	(1,279,689)
At 31 March 2016	**15,971,258**	**24,065,722**	**1,015,668**	**196,403**	**501,159**	**41,750,210**
Accumulated depreciation						
At 1 April 2014	13,093,744	10,701,708	725,024	219,679	-	24,740,155
Charge for the year	885,411	2,015,916	76,295	53,868	-	3,031,490
Disposals	-	-	-	(232,421)	-	(232,421)
At 31 March 2015	13,979,155	12,717,624	801,319	41,126	-	27,539,224
Charge for the year	833,591	2,610,912	169,591	38,600	-	3,652,694
Disposals	(121,361)	(825,276)	(309,932)	(11,256)	-	(1,267,825)
At 31 March 2016	**14,691,385**	**14,503,260**	**660,978**	**68,470**	**-**	**29,924,093**
Net book value:						
At 31 March 2016	**1,279,873**	**9,562,462**	**354,690**	**127,933**	**501,159**	**11,826,117**
At 31 March 2015	2,079,040	8,260,502	290,936	251,948	10,472	10,892,898

Allocation of depreciation expense	**2016**	**2015**
	AED	**AED**
Charged to direct cost (Note 14)	3,544,826	2,903,200
Charged to administrative and general expenses (Note 16)	107,868	128,290
Total	**3,652,694**	**3,031,490**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

6 Intangible assets

	Goodwill AED	Computer software AED	Total AED
Cost			
Additions during 2014	1,496,312	-	1,496,312
At 31 March 2015	1,496,312	-	1,496,312
Additions	-	591,639	591,639
At 31 March 2016	**1,496,312**	**591,639**	**2,087,951**
Accumulated depreciation	**-**	**-**	**-**
Charge for the year (Note 16)	-	21,136	21,136
At 31 March 2016	**-**	**21,136**	**21,136**
Net book value:			
At 31 March 2016	**1,496,312**	**570,503**	**2,066,815**
At 31 March 2015	**1,496,312**	**-**	**1,496,312**

7 Inventories

	2016 AED	2015 AED
Consumables	9,389,362	6,844,397
Less: provision for slow moving and expired inventories	(588,831)	(711,211)
	8,800,531	6,133,186
Goods in transit	21,778	-
	8,822,309	**6,133,186**

The cost of inventories recognised as an expense and included in 'direct costs' amounted to AED 15,974,092 (2015: AED 15,029,289) Note 14.

Movement in the provision for inventories is as follows:

	2016 AED	2015 AED
Opening provision	711,211	830,945
Reversal of provision	(122,380)	(119,734)
	588,831	**711,211**

8 Trade and other receivables

	2016 AED	2015 AED
Trade receivables	406,933	242,935
Advances	4,452,158	1,736,993
Prepayments	4,160,123	3,270,646
Deposits	2,169,473	1,730,995
	11,188,687	**6,981,569**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

As at 31 March 2016, trade receivables of AED 406,933 (2015: AED 242,935) are fully performing.

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The company does not hold any collateral as security.

The carrying amounts of trade and other receivables are mainly denominated in AED.

9 Cash and bank balances

	2016 AED	2015 AED
Cash on hand	408,672	447,152
Bank balances in current accounts	13,782,448	13,724,941
Restricted cash margin	50,000	50,000
Cash and bank balances	**14,241,120**	**14,222,093**

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2016 AED	2015 AED
Cash and bank balances	14,241,120	14,222,093
Less: restricted cash margin	(50,000)	(50,000)
	14,191,120	**14,172,093**

The restricted cash margin are held by companies banker for letter of credit issued on behalf of the company in normal course of business and included in Note 20.

10 Share capital

	2016 AED	2015 AED
Issued and paid up:		
367 shares of AED 150,000 each (2015: 367 shares of AED 150,000 each)	**55,050,000**	**55,050,000**

11 Provisions for the employees' end of service benefits

	2016 AED	2015 AED
Opening balance	3,076,108	2,500,261
Provision for the year (Note 17)	860,632	969,092
Paid during the year	(306,850)	(393,245)
Closing balance	**3,629,890**	**3,076,108**

In accordance with the provisions of IAS 19 (revised), management has carried out an exercise to assess the present value of its obligations at 31 March 2016, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE labour laws. Under this method, an assessment has been made of an employee's expected service life with the company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 5% (2015: 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 3.18% (2015: 3.15%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

12 Trade and other payables

	2016 AED	2015 AED
Trade payables	8,758,326	5,142,292
Accruals	6,900,379	5,818,659
Advances received from customers	14,914,774	14,102,580
	30,573,479	**25,063,531**

13 Related parties

Related parties include the shareholder, the ultimate parent company, key management personnel, associates, directors and businesses which are controlled directly or indirectly by the shareholder, the ultimate parent company or directors or over which they exercise significant management influence (hereinafter referred to as "affiliates"). At the reporting date significant balances with related parties were as follows:

	2016 AED	2015 AED
Due to related parties	843,553	179,052
Due from related parties	11,972,096	3,002,228

Significant transactions entered into at mutually agreed terms with related parties during the period were as follows:

	2016 AED	2015 AED
Advance to affiliate	9,036,096	2,936,000
Purchases of goods and services from affiliates	499,450	547,916
Key management personnel compensation		
Salaries and benefits	2,543,856	1,624,862
End of service benefits	16,046	16,100
	2,559,902	1,640,962
Recharge of expenses to parent company	–	177,930
Recharge of expenses by an affiliate	834,472	
Rent payment to the affiliate	-	189,750

14 Direct costs

	2016 AED	2015 AED
Staff costs (Note 17)	30,319,625	28,121,638
Consumables and stores consumed (Note 7)	15,974,092	15,029,289
Operating lease expenses	7,379,228	6,401,413
Depreciation (Note 5)	3,544,826	2,903,200
Repair and maintenance costs	1,811,812	1,256,925
Freight	55,060	4,453
Reversal for slow moving and expired inventory (Note 7)	(122,380)	(119,734)
	58,962,263	**53,597,184**

15 Selling and marketing expenses

This includes the advertising expenses incurred on the different marketing schemes of the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

16 Administrative and general expenses

	2016 AED	2015 AED
Staff costs (Note 17)	12,543,970	9,851,994
Legal and professional charges	5,423,672	6,487,080
Travelling expenses	2,581,687	1,378,057
Bank charges	1,420,229	1,211,982
License fee	873,915	981,255
Rent	327,400	480,000
Laundry charges	312,435	300,250
Training and seminar expenses	651,966	237,255
Depreciation (Note 5)	107,868	128,290
Postages and courier	36,411	56,297
Amortisation	21,136	-
Other costs	2,908,443	2,204,901
	27,209,132	**23,317,361**

17 Staff costs

	2016 AED	2015 AED
Salaries and benefits	42,002,963	37,004,540
End of service benefits (Note 11)	860,632	969,092
	42,863,595	**37,973,632**
Staff costs are allocated as below:		
Direct costs (Note 14)	30,319,625	28,121,638
General and administrative expenses (Note 16)	12,543,970	9,851,994
	42,863,595	**37,973,632**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

18 Financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	
	2016	**2015**
	AED	**AED**
Financial assets		
Trade and other receivables (excluding prepayments and advances)	2,576,406	1,973,930
Due from related parties	11,972,096	3,002,228
Cash and cash equivalents	14,241,120	14,222,093
	28,789,622	**19,198,251**

	Other financial liabilities at amorstised cost	
	2016	**2015**
	AED	**AED**
Financial liabilities		
Trade and other payables (excluding advances from customers)	15,658,705	10,960,951
Due to related parties	843,553	179,052
	16,502,258	**11,140,003**

19 Operating lease commitments

The company has entered into non-cancellable operating leases for rentals. The total of the future lease payments is as follows:

	2016	**2015**
	AED	**AED**
Not later than one year	6,926,541	6,202,677
Between one and five years	10,225,111	10,677,395
	17,151,652	**16,880,072**

20 Guarantees

At 31 March 2016, the company had contingent liabilities in respect of outstanding letter of credits amounting to AED 50,000 (2015: AED 50,000).

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