NEULAND
WHERE OPPORTUNITY BECOMES REALITY

Neuland Laboratories Limited
11th Floor (5th Office Level),
Phoenix IVY Building,
Plot No.573A-III, Road No.82,
Jubilee Hills, Hyderabad - 500033,
Telangana, India.

Tel: 040 67611600 / 67611700
Email: neuland@neulandlabs.com
www.neulandlabs.com

June 14, 2021

| | |
|---|---|
| To | To |
| **BSE Limited** | **The National Stock Exchange of India Ltd** |
| Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai – 400 001 | Exchange Plaza, Bandra Kurla Complex Bandra (E), Mumbai – 400 001 |
| **Scrip Code: 524558** | **Scrip Code: NEULANDLAB; Series: EQ** |

Dear Sirs,

**Sub:- Compliance with Regulation 30 and Regulation 34(1) of the (Listing Obligations and Disclosure Requirements), Regulations, 2015**

We refer to the Thirty Seventh Annual General Meeting of the Company ("AGM") scheduled to be held on Wednesday, July 7, 2021 at 10:30 a.m. (IST) through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM").

In this connection, please find attached the Annual Report for the financial year 2020-21 along with the Notice of 37th AGM, pursuant to Regulation 34 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations 2015.

The Annual Report for the financial year 2020-21 and the Notice of the 37th AGM has been uploaded on the website of the Company (www.neulandlabs.com).

Please take the same on your record and acknowledge.

Yours faithfully,
For **Neuland Laboratories Limited**

Sarada Bhamidipati

Digitally signed by Sarada Bhamidipati
DN: cn=Sarada Bhamidipati, o=Neuland Laboratories Limited, ou, email=saradab@neulandlabs.com, c=IN
Date: 2021.06.14 18:30:23 +05'30'

**Sarada Bhamidipati**
**Company Secretary**

# ANNUAL REPORT 2020-21

NEULAND

WHERE OPPORTUNITY BECOMES REALITY

# Contents



₹ 953.0 Crores

Total Revenue

₹ 162.5 Crores

EBITDA

₹ 80.3 Crores

Profit After Tax

To view this report online
**www.neulandlabs.com**

**Cautionary Statement**

Certain statements in this Report relating to our business operations and prospects may be forward-looking statements. These statements can be identified by usage of words such as 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', 'plans', 'outlook' and other words of similar meaning in connection with a discussion of future operating or financial performance.

These forward-looking statements are dependent on assumptions, data or methods that may be incorrect or imprecise and hence may be incapable of being realised. Such statements are not guaranteed of future operating, financial and other results, but constitute our current expectations based on reasonable assumptions. The Company's actual results could materially differ from those projected in any forward-looking statements due to various future events, risks and uncertainties some of which are beyond our control. We do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Corporate Information

## Board of Directors

Dr. Davuluri Rama Mohan Rao
*Executive Chairman*

Mr. Davuluri Sucheth Rao
*Vice Chairman & Chief Executive Officer*

Mr. Davuluri Saharsh Rao
*Vice Chairman & Managing Director*

Mr. Humayun Dhanrajgir
*Non-Executive Independent Director*

Mr. Parampally Vasudeva Maiya
*Non-Executive Independent Director*

Dr. William Gordon Mitchell
*Non-Executive Independent Director*

Dr. Christopher M. Cimarusti
*Non-Executive Director*

Mrs. Bharati Rao
*Non-Executive Independent Director*

Dr. Nirmala Murthy
*Non-Executive Independent Director*

Mr. Homi Rustam Khusrokhan
*Non-Executive Independent Director*

Mr. Deepak Gupta[1]
*Chief Financial Officer*

Ms. Sarada Bhamidipati
*Company Secretary & Compliance Officer*

## Audit Committee

Mr. Homi Rustam Khusrokhan
*Chairman*

Mr. Humayun Dhanrajgir
*Member*

Mr. Davuluri Sucheth Rao
*Member*

Mrs. Bharati Rao
*Member*

Dr. Nirmala Murthy
*Member*

## CSR Committee

Mr. Humayun Dhanrajgir
*Chairman*

Dr. Davuluri Rama Mohan Rao
*Member*

Mr. Davuluri Sucheth Rao
*Member*

Mr. Davuluri Saharsh Rao
*Member*

Dr. Nirmala Murthy
*Member*

## Nomination and Remuneration Committee

Mr. Parampally Vasudeva Maiya
*Chairman*

Mr. Humayun Dhanrajgir
*Member*

Mrs. Bharati Rao
*Member*

## Statutory Auditors

M/s. MSKA & Associates
1101 /B, Manjeera Trinity Corporate
JNTU, Hitech City Road, Kukatpally
Hyderabad- 500072

## Bankers

**State Bank of India**
*Overseas Branch, Jubilee Hills, Hyderabad*

**Bank of India**
*Large Corporate Branch, Hyderabad*

**HDFC Bank Limited**
*Banjara Hills, Hyderabad*

**Kotak Mahindra Bank Limited**
*Somajiguda Branch, Hyderabad*

**IndusInd Bank Limited**
*Secunderabad Branch, Hyderabad*

**RBL Bank Limited**
*Madhapur Branch, Hyderabad*

## Stakeholders Relationship Committee

Mr. Parampally Vasudeva Maiya
*Chairman*

Dr. Davuluri Rama Mohan Rao*
*Member*

Mr. Davuluri Sucheth Rao
*Member*

Mr. Davuluri Saharsh Rao#
*Member*

## Registered Office

NEULAND LABORATORIES LIMITED
CIN: L85195TG1984PLC004393

**New Address with effect from June 11, 2021:**
11th Floor (5th Office Level),
Phoenix IVY Building, Plot No.573A-III,
Road No. 82, Jubilee Hills, Hyderabad- 500033

**Old Address:**
Sanali Info Park, 'A' Block, Ground Floor
8-2-120/113, Road No. 2, Banjara Hills
Hyderabad – 500 034

## Listing

BSE Limited (BSE)
National Stock Exchange of India Limited (NSE)

## Internal Auditors

M/s. Ernst & Young LLP
THE SKYVIEW 10
18th Floor, "Zone A"
Survey No. 83/1, Raidurgam
Hyderabad- 500032, India

## Secretarial Auditors

M/s P. S. Rao & Associates
Flat No. 10, 4th Floor, D. No. 6-3-347/22/2
Ishwarya Nilayam, Opp. Sai Baba Temple
Dwarakapuri Colony
Hyderabad-500082

## Registrar and Share Transfer Agents

KFin Technologies Private Limited
Selenium Tower B, Plot No. 31 & 32
Financial District, Nanakramguda
Serlingampally Mandal
Hyderabad-500032

*[1]From September 24, 2020*
**Up to May 11, 2021*
*#appointed with effect from May 11, 2021*

# About Us

Established in 1984, Neuland Laboratories Limited is a leading manufacturer of active pharmaceutical ingredients (APIs) and an end-to-end solution provider for the pharmaceutical industry's chemistry needs. Supported by our world-class manufacturing facilities and complex chemistry capabilities, we have become a trusted generic and new chemical entity (NCE) API manufacturing partner and supplier to some of the biggest names in global pharmaceutical industry.

Our solutions span the full range of the pharmaceutical industry's chemistry requirements, from the synthesis of library compounds to supplying NCEs and advanced intermediates at various stages in the clinical life-cycle, as well as commercial launch.

The Company is headquartered in Hyderabad, India while our manufacturing and research facilities are situated near Hyderabad. Business development offices have been set up in the US and Japan to strengthen our global collaborations.

### Our Manufacturing Prowess

We have three world-class API manufacturing facilities capable of handling complex and hazardous reactions. The manufacturing facilities comply with all regulatory guidelines and requirements of current Good Manufacturing Practices (cGMP) and have been successfully inspected/approved by international health and regulatory agencies. Our facilities (Unit I and II) have successfully cleared 15 US FDA audits, a testimony to the reliability of our systems and processes. For the recently commissioned Unit-III, we are working with the US FDA to expedite the inspection and the approval for commercial manufacturing of APIs.

### Our Research Capabilities

We have a dedicated state-of-the-art R&D facility which has been approved by the Department of Scientific and Industrial Research (DSIR) and inspected by the US FDA in February 2016 without any observations. The facility houses development laboratories, analytical laboratories, a dedicated kilo laboratory for scale-up and a dedicated laboratory for peptides. Our R&D facility has proven its capabilities in carrying out a wide range of reactions, including bringing complex molecules with efficient processes to market; developing non-infringing processes; developing cost-effective routes; reducing impurities levels by better process understanding; and reducing effluent generation.

## Our Certifications

| | | | | |
|---|---|---|---|---|
| USFDA | EDQM | European Medical Agency (EMA) | PMDA (Japan) | TGA (Australia) |
| B farm (German Health) | ANVISA (Brazil) | AFSSAPS (France) | COFEPRIS (Mexico) | KFDA (Korea) |
| CFDA (China) | WHO-Geneva | Russia (The Ministry of Health of the Russian Federation) | Health Canada | ISO 9001, ISO 14001, ISO 45001 and ISO 27001 |

## Our Business Verticals

We have two main business verticals: Generic Drug Substances (GDS) and Custom Manufacturing Solutions (CMS). While we primarily have these two businesses, the expertise within them extends to both small molecules as well as peptides.

**Business Verticals**

GDS

**Generic Drug Substances (GDS)**

Catering to the needs of generic pharmaceutical companies through non-exclusive APIs

**Prime APIs**

High volume, mature APIs

**Specialty APIs**

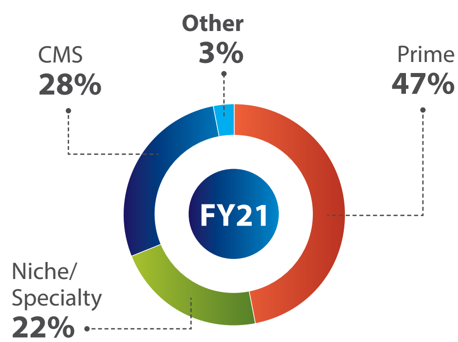
Low volume, complex APIs

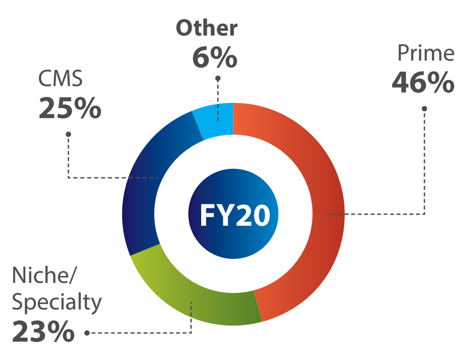
CMS

**Custom Manufacturing Services (CMS)**

Catering to innovator pharmaceutical and biotech companies through exclusive contract development and manufacturing of NCE APIs

## Revenue Contribution



# Our Core Strengths

**Strong financials**
Stable balance sheet with low debt

**Differentiated portfolio**
Quality products with high technological complexities

**Global reach**
Presence in over 85 countries

**World-class manufacturing**
Three cGMP compliant manufacturing facilities

**End-to-end solution provider**
Customer support across the product lifecycle

**Vast experience**
Manufacturing APIs for over 35 years

**Strong customer relationships**
Long-standing relationships with leading generic and innovator companies

**Deep expertise**
High-end complex chemistry capabilities

**Robust compliance framework**
Proven track record of regulatory adherence across geographies

**Sound R&D capabilities**
US FDA inspected R&D centre

## Neuland in Numbers

**>37**
years of experience

**80+**
countries

**75**
APIs scaled up across 10 therapeutic categories

**>898**
Drug Master Files (DMFs) worldwide

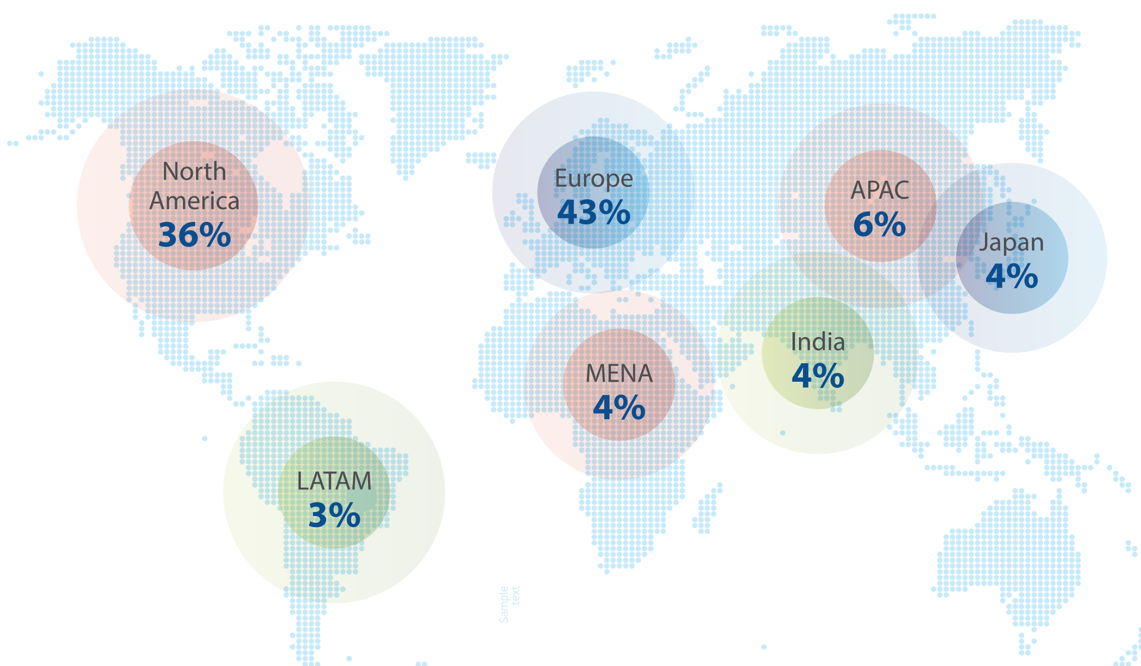
**57**
active US DMFs

**860 KL**
API manufacturing capacity

**>75%**
of revenue from exports

**>1,427**
R&D employees approximately 300

## Our Global Reach




*Note: % refers to FY 2021 sales by end market*

# Our Journey

**1984**
Incorporation of Neuland

**1986**
First API sale of salbutamol sulphate / albuterol sulphate

**1994**
Neuland goes public

**1997**
First US FDA audit

**2004**
Setting up of US Operations

**2007**
Setting up of Japan Subsidiary

**2008**
Separate R&D Centre established; EDQM audit of Unit 1

**2009**
PMDA, Japan approval
First NCE approval

**2013**
Strategic alignment of business towards niche APIs & CMS

**2015**
10th US FDA audit

**2016**
R&D facility approved by US FDA

**2017**
Among first 3 API facilities in India to be audited by CFDA (Unit 1)
EDQM Audit of Unit 2

**2018**
Acquisition of advanced intermediates & API facility

**2019**
Increased flow of projects from CMS Japan
Active emphasis on supply chain de-risking

**2020**
₹100 Mn+ revenue
75+ live CMS Projects

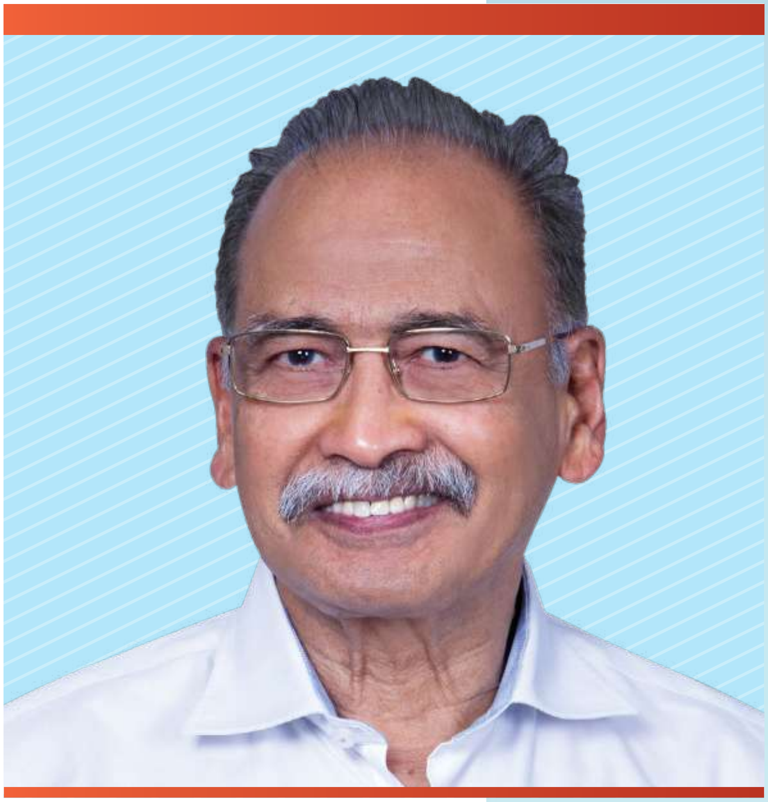
**2021**
Unit 3 commercialisation

**1984-2003**
Laying Strong Foundation

**2004-2013**
Deepening our Capabilities

**2013-Today**
Increased Sustainable Growth

# Executive Chairman's Message



Much of the credit for our success also goes to our strong, well-balanced teams across functions, who worked closely to serve customer needs in an extraordinary year.

*Dear Readers,*

The COVID-19 pandemic has had the most significant economic and social impact on the world in recent memory. At Neuland, the strength and agility we have built into our business enabled us to deliver a steady performance despite the external challenges. I am incredibly proud of our people for their commitment and contribution in these difficult times. Our priorities remain the safety of our people, maintaining business continuity to ensure timely delivery of our products to support customers and, through excellent people and processes, meet the high standards they have come to expect from Neuland.

Our performance was driven by growth in both the business verticals of Generic Drug Substances (GDS) and Custom Manufacturing Services (CMS). While the uptick in GDS business was led by customer acquisition and our continued efforts in product lifecycle management, the CMS business is seeing the fruition of our sustained focus on building strong customer relationships and the right pipeline of projects. Much of the credit for our success also goes to our strong, well-balanced teams across functions, who worked closely to serve customer needs in an extraordinary year. As we look to the future, we believe that the continued emphasis on growing our capability, fostering cross-functional collaboration and driving continuous improvement makes us well-positioned to scale business growth.

Across both verticals, meeting customer needs and exceeding their expectations is a fundamental part of our operating model and our values. Our uncompromising commitment to quality, compliance and safety underpins this customer focus. In this regard, the deep understanding of regulatory requirements that we have amassed by serving highly regulated markets for over 25 years, together with our intense focus on upholding the highest quality and safety standards in our operations, continues to be a key business differentiator.

We continue to build on our R&D capabilities aligned with our goal to be a preferred partner to innovator companies for contract research and manufacturing. The knowledge and skills of our R&D team also play a critical role in sustaining our market position in the GDS business. I am pleased to share that during the year, we have further enhanced our R&D expertise and infrastructure to enable us to better serve our customers and deepen our engagement with them.

Guided by the foresight of our management team, we have been proactively pursuing supply chain diversification over the past few years to reduce our dependence on any single geography. The business strategy has worked to our advantage, as reflected in our almost interruption-free operations and timely deliveries in a year when global supply chains were disrupted due to the pandemic breakout. We have been accelerating the integration of technology in our operations to leverage greater efficiencies. Our strong focus on operational excellence is also evidenced in our team's efforts to optimise processes, improve yields and lower costs. This relentless drive for efficient execution enhances our reputation as a leading API manufacturer and an end-to-end solution provider for the pharmaceutical industry's complex chemistry needs.

As we look to take our business to the next level, we recognise that strong leadership and future talent pipeline is a strategic imperative. We are actively looking at bringing the best global talent for strategic roles and providing them with the right kind of environment so that they can perform. We also continue to emphasise building an organisation where people are constantly learning, especially essential in our kind of business and for driving professional satisfaction.

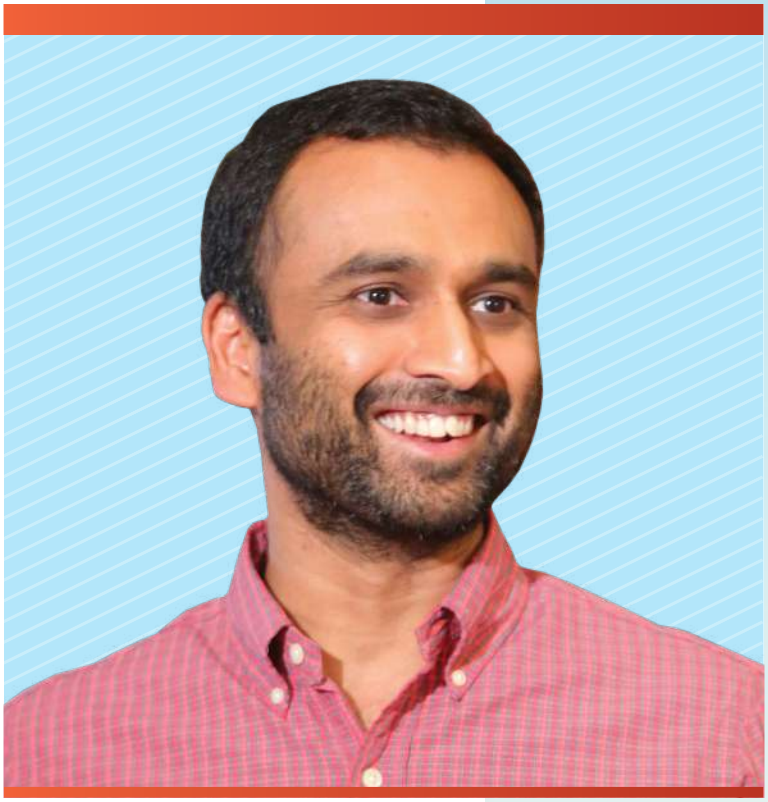
Entering FY 2022, the world continues to fight the global health crisis. At Neuland, we are implementing strict health and safety measures across all our sites to ensure that we can operate at, or close to, normal operating levels through this period of uncertainty. While fiscal prudence remains the order of the day, we are making investments in critical areas such as quality systems, infrastructure and R&D to maximise opportunities for future growth.

Looking forward, we are well-positioned to benefit from our excellent product portfolio, strong CMS project pipeline and growing capabilities. We are working towards enhancing our customer base in our key markets of the US, Japan and Europe, especially in the context of our CMS business. Finally, we will use the momentum that we have generated over the years along with the learnings of the past to generate better value.

On behalf of the Board, I would like to thank our customers and shareholders for their continued support, and our employees for their exceptional work and commitment. I look forward to our continued success in achieving our goals and delivering strong performance.

Warm Regards,
**Dr. Davuluri Rama Mohan Rao**

In conversation with Sucheth Davuluri, Vice Chairman and CEO



The strategic direction we have followed in recent years, with an increased focus on growing our capabilities and our Custom Manufacturing Solutions (CMS) business without compromising on our Generic Drugs Substances (GDS) strategy, is driving our sustained performance. Our strategy remains unchanged. As we continue to make the required investments, well supported by a healthy financial position, we believe we can unlock higher growth.

FY 2021 demonstrated the resilience and agility we have built into our business. Operating against the backdrop of a challenging environment, we achieved the targets we had set for ourselves. In spite of the challenges, we continued to invest our future. The dedication, collaboration and professionalism of our people enabled us to move fast and respond decisively to a fluid situation. I convey my heartfelt appreciation to everyone at Neuland for their resilience.

In the Annual Report, I address some of the key questions the reader may have. The endeavour is to communicate with transparency and provide insights to enable our stakeholders take an informed decision on the Company. Hopefully, I will be successful in my efforts this year as well.

## Q Please share your thoughts on the Company's performance for the year.

Neuland delivered a steady overall performance despite significant global disruption arising from the pandemic in some of our end-markets. The revenue at ₹ 953 crores is a 24.3% improvement over the previous year, driven by growth in our GDS and CMS verticals. Our EBIDTA has also registered an upward trajectory, increasing 54.3% over the previous year, while the operating margin was up by 340 bps. Change in business mix with higher margins coming from CMS business and certain specialty products, along with cost-optimisation initiatives, have helped to improve profitability.

Our balance sheet position and underlying business fundamentals remain strong. We continued optimising working capital and managed debt at moderate levels. This was achieved even as we made investments focused on building capabilities to ensure that our growth is sustainable over the long-term. The return on capital employed reached 12.82% (18.09% excluding goodwill) during the year as against 7.83% (11.11% excluding goodwill) in FY 2020. In terms of key liquidity ratios, our Net Debt to EBITDA improved from 2.03 in FY 2020 to 0.94 in FY 2021 even as our Current Ratio moved to 1.47 from 1.42 and Debt-to-Equity ratio moved to 0.22 from 0.37.

The strategic direction we have followed in recent years, with an increased focus on growing our capabilities and our Custom Manufacturing Solutions (CMS) business without compromising on our Generic Drug Substances (GDS) strategy, is driving our sustained performance. Our strategy remains unchanged. As we continue to make the required investments, well-supported by a healthy financial position, we believe we can unlock higher growth.

## Q In which areas could Neuland have performed better?

While our overall performance hit the mark, there are areas where we did not deliver as per our expectations. First, there were delays in commissioning certain capital projects, which had an impact on the payback and the internal rate of return. Second, there were delays in executing a few R&D projects. Lastly, we had slightly higher than expected attrition for a segment of our employees.

In all these three areas, corrective measures have been taken to improve our performance.

While the delay in capital projects was in some part due to the non-availability of workforce at our equipment manufacturer's site because of the pandemic, as an organisation we could have done a better job in anticipating those potential delays and taking steps to mitigate its impact. Wiser with the learnings, the projects are now back on track and progressing as per schedule.

For swifter execution of our R&D projects, we have established more robust cross-functional teams, invested in skill development, hired more people, and strengthened our information systems for early identification of impediments and specific action, or resources, needed to overcome them. We have also improved our overall review mechanism so that our leaders can play an active role in enabling our cross-functional teams. There is still significant progress to be made.

To reduce attrition, we did a detailed analysis of the concerned employee segment to arrive at the reasons behind the attrition. Since then, we have implemented certain SOPs and protocols, made the line managers more accountable, and set up additional communication platforms between the direct supervisors and people on the shopfloor so that the supervisors can better understand the issues at the ground level and take suitable action for their resolution. Additionally, taking advantage of the National Apprentice Promotion Scheme introduced by the Government, we have successfully onboarded apprentices, creating a strong chemist pipeline for shopfloor operations.

## Q What measures are being taken to drive operational efficiency?

We have a dedicated and strong team for implementing product lifecycle management for our GDS portfolio. Under this, the focus is on optimising processes, improving yields, and enhancing productivity. During the year, concrete steps were taken for products such as Ezetimibe, Levetiracetam, Deferasirox, Donepezil, Dorzolamide and Rivaroxaban to make them more competitive not only in terms of cost but also in terms of availability and capacity.

Another important initiative relates to strengthening of the Project Management Office to ensure that projects are completed on time and in full. The projects being handled by them relate to the new molecules that are being developed, whether under CMS or GDS vertical. Certificate training programmes and an e-learning module were rolled out during the year to further empower our project managers.

We have institutionalised customer surveys where the feedback from customers is shared across the organisation. Another focus area is our continued investments in green chemistry, which is leading to efficient use of solvents.

## Q How has Neuland fared in responding to the challenges of the COVID-19 pandemic?

Following the COVID-19 outbreak, as is true for companies globally, Neuland had to deal with the challenges of employee safety, site safety, supply chain disruption, restricted logistics, and cash management. As an entity categorised under 'essential products and services', we also had the responsibility of keeping our manufacturing running for timely supplies to our customers. Moreover, we had to wrestle with the additional challenge of continually changing customer demand due to the lockdown and subdued economic activity in several of our end-markets.

Neuland has been successful in overcoming most of these challenges. With employee safety being our topmost priority, we quickly adopted new ways of working. For employees whose roles allowed them to work-from-home, remote working was implemented by enabling them with the required tools and technology. Strict safety protocols, including physical distancing and sanitisation, are being followed at all our sites. Special buses were organised for safe transportation of employees during the peak of COVID-19 outbreak in the country. All employees are also mandatorily required to fill an e-self declaration form daily for health and safety management.

With China being the epicentre of the COVID-19 outbreak and a supplier of some key starting material (KSMs) and intermediates for certain APIs, raw material supply chain for the API sector was disrupted. In Neuland's case, the planned and strategic changes we have made to our supply chain over the past three years - including shortening the supply chain and de-risking the vendor base - ensured minimal disruption to our operations and timely delivery of our products.

The pandemic has brought forth our team's agility and cross-functional collaboration and is undoubtedly the biggest reason for our business resilience. For instance, our sales and development team stayed constantly in touch with the customers and regularly updated the demand forecast. Thorough understanding of evolving customer demand helped our manufacturing team to quickly adjust inventory to avoid insufficient or excessive inventory. The finance team, in turn, demonstrated nimbleness in redeploying resources basis the production requirements. This is reflected in the balance sheet in terms of our free cash flow and our working capital utilisation which stood at a fraction of our approved limits. In a nutshell, maintaining business continuity, while keeping our people safe, has been a vital part of our response.

## Q How is Neuland driving business continuity and what steps reflect the Company's future preparedness?

While the vaccination programme is on in full earnest, the world is not yet done either with the pandemic or its economic effects. We are also cognizant that we operate in a competitive and dynamic market and must be prepared for future events. To deal with uncertainties and challenges head-on, Neuland has in place a strong Enterprise Risk Management (ERM) process that is actively managed by the senior management team. We also have a cross-functional team which is constantly updating the risk register and implementing steps to mitigate the impact of these risks. In fact, one of the reasons why Neuland was not significantly impacted by the supply chain disruption is because that risk was included in our risk register and appropriate response tactics had been formulated and implemented well in advance. Had we not done that, the impact of the pandemic on our operations would have been at a larger scale.

While we are exercising prudence in managing costs to conserve cash, we continue to prioritise investments in R&D, capacity for key projects, quality systems, compliance, safety, and digitisation to shape the future of Neuland. Capacity creation and allocations for key products are also taking place keeping the long-term in perspective. We are systematically undertaking digitisation across functions and working towards integration at an organisational level, which will be critical for sustainability as an organisation.

An important pillar of our future preparedness is the investments we are making in our people. We are building a strong leadership team and hiring the right talent to address the needs of our customers and realise our strategic priorities. We also remain laser-focused on building a learning organisation. Our learning and development programmes are designed around the short and long-term goals of the organisation while meeting individual needs. Multiple online learning initiatives were launched during the year for upskilling.

The future belongs to organisations that are resilient and can quickly adjust to the reality of the market. Accordingly, Neuland will continue to stay focused on building on its agility to maximise value creation.

## Q What are the growth drivers for Neuland for FY 2022 and beyond?

During the year, we operationalised Unit III, a manufacturing facility that we had acquired three years ago. The integration of this facility with our operations has enhanced our capability and capacity in scaling up molecules and managing projects. Unit III will continue to be an important driver of our continued success. Further, we are prioritising optimisation of capacity for agility enabling quick flexible response to customer needs.

The number of CMS projects that we are executing has been steadily increasing. This reflects the trust that our existing customers are placing in us as well as recognition of Neuland's capabilities by new customers. Our strong pipeline of CMS projects - currently 78 active projects with 24 in late-stage development, and the continued emphasis on targeting molecules in the later stages of the clinical cycle, position us well to grow our revenue in the coming years. Building deeper competency and capabilities in R&D will be essential to our growth.

On the GDS side, our quality-led portfolio is driving market penetration for both our prime products as well as our specialty APIs. We are looking at filing DMFs in products we are excited about, which will further bolster our product portfolio and present new growth opportunities. We are focused on quality conscious customers and looking to further build a product pipeline differentiated on technology.

This is all underpinned by the Company's healthy financial position, supporting our ability to invest in our capabilities and deliver long-term sustainable performance.

**An important pillar of our future preparedness is the investments we are making in our people. We are building a strong leadership team and hiring the right talent to address the needs of our customers and realise our strategic priorities.**

# Message from Saharsh Davuluri, Vice Chairman & Managing Director

We are investing in building stronger capabilities in R&D, as we have identified that as a strategic priority for driving the next phase of growth. While our systems have always been strong and we continuously work towards further strengthening them, we are now investing in digitising key processes across functions.

*Dear Stakeholders,*

It is my pleasure to report that Neuland delivered another year of solid growth. This is especially commendable as our internal targets, set well before the COVID-19 outbreak, were realised despite the economic and social challenges triggered by the pandemic. Equally satisfying is the fact that both the GDS and the CMS verticals have contributed to the growth momentum. While there are certain areas where we could have achieved better results, the overall strong performance demonstrated against considerable headwinds provides good reason to look to the future with confidence.

## GDS Business

In the GDS business, formed collectively by our Prime and Specialty APIs, growth was led by our ability to scale up products that command a strong market position. We commercialised Unit III in the year under review thereby augmenting our manufacturing capacity. With two APIs currently being shipped to certain markets from Unit III, the manufacturing extension has also given us the headroom to accommodate higher volumes for other molecules in Unit I and II. These measures have enabled sustainable product scale-up and, along with the focused efforts of our sales team, driven customer acquisition.

In the Prime segment, comprising mature APIs which typically face high competition, growth was largely attributable to the key molecules of Levetiracetam, Mirtazapine and Labetalol. Our Specialty segment includes specialised, high-value APIs, which generate higher margins due to the complexities involved in their manufacturing. Multiple molecules, including Deferasirox, Dorzolamide, Entacapone and Ezetimibe, led the growth momentum in the Specialty segment and contributed to higher profitability.

Going forward, our strategy remains to offer high-quality products at competitive prices through product lifecycle management. This will enable us to deepen our engagement with existing customers as well as reach out to new customers. Led by the expertise of our R&D team, we are also focusing on bringing differentiated products to the market. By emphasising on a quality-led portfolio, wherein our products have an edge for their technological complexities, instead of a quantity-led one, we will be able to better serve the specific needs of customers. The addition of Sugammadex, Elagolix, Semaglutide to our portfolio is consistent with our approach of growing our differentiated offerings. These measures, even as we foray into new markets while deepening our penetration in existing geographies, should position the GDS business for sustained growth.

## CMS Business

The CMS business continues to drive our overall revenue momentum, this growth being attributable to both commercial as well as development products. Further, we witnessed growth in scale-up projects and higher projects coming up for validation. As of March 31, 2021, we have 78 active CMS projects in our portfolio, with 17 of them in the commercial stage, 20 in the development phase and the remaining extending from early clinical trials to Phase 3.

Neuland Laboratories Limited has stayed focused on building the CMS business. We have the expertise to advance our customers' product from the initial stage of its development, where new chemistry and processes play an important role, to collaborating across late-stage development and commercialisation, where successful technology transfer and ramp-up in scale is pivotal. Understanding our customers' challenges and working as an extension of their own R&D division, our CMS business aids faster research and commercialisation at lower costs. Our robust pipeline of projects endorses the confidence that we have secured for our contract development and manufacturing capabilities.

In recent years, we have witnessed an increasing number of late-stage projects entering our pipeline. This is a favourable trend for Neuland as late-stage projects have a relatively low-risk failure and a short commercialisation cycle vis-à-vis projects in the early development phase. Moreover, when it comes to commercialisation, global innovators prefer to go with an outsourcing partner who has also been involved in the development phase as it eliminates the need for technology transfer. The extensive knowledge gained by the outsourcing partner along the development cycle also makes product commercialisation more seamless and simpler. During the year, we have made significant progress with 4-5 late-stage projects which are expected to get commercialised by our customers in the next 12-24 months. This underpins our capabilities in commercialising products consistently and efficiently with the highest level of quality and also fuels our growth potential.

We continue to pursue the right kind of opportunities to further grow our CMS business. In this regard, our long-term strategy has been to partner with emerging biotech companies. As per data from IQVIA, emerging biotech companies accounted for more than two-thirds of late-stage pipelines in 2018, up from 52% in 2003. This reflects the innovation shift from large biopharmaceutical players to small and medium-sized enterprises. Further, emerging biotechs are often limited by in-house resources, infrastructure, or expertise, and thus actively looking at externalising R&D and product commercialisation. Our reputation of being a reliable outsourcing partner will hold us in good stead to partner with these biotech companies and thereby grow our revenues.

## Outlook

Neuland has consistently grown over the past few years. We are a larger and more diversified entity with balanced contribution flowing in from our GDS and CMS businesses. Most importantly, we are investing in building stronger capabilities in R&D, as we have identified that as a strategic priority for driving the next phase of growth. While our systems have always been strong and we continuously work towards further strengthening them, we are now investing in digitising key processes across functions. Further building on our strong fundamentals through these efforts support an exciting growth trajectory going forward.

While capacity creation allocations are happening from a long-term perspective, we also remain laser-focused in pushing the envelope for operational excellence. This is manifested across our investments in product lifecycle management to improve yields and lower costs for our key molecules. Additionally, we are strengthening our Project Management Team to expedite smooth scale-up of projects and developing techniques like Quality by Design (QBD) to ensure that the highest quality standards are embedded in our processes and products.

As I write this letter, the world is managing the widespread effects of COVID-19. While Neuland remains vigilant and is not complacent about the ongoing uncertainty, we are confident that we are managing the evolving situation well and taking the right actions to deliver on the expectations of our customers while ensuring the health and safety of our people. Factoring in the learnings from the past, we will rise to meet the immediate challenges and harness the growing opportunities to create long-term value for our people, customers, shareholders and communities.

Thank you for joining us in our quest for a better future. Please stay safe.

Warm regards,
**Saharsh Davuluri**

# Board of Directors

### Dr. Davuluri Rama Mohan Rao
*Executive Chairman*

Dr. Davuluri Rama Mohan Rao is the chief promoter of Neuland. He has a Masters in Science from Andhra University, Post Graduate Diploma in Technology from IIT Kharagpur and a PhD in Organic Chemistry from the University of Notre Dame, U.S.A. Prior to founding Neuland in 1984, he had held senior positions in R&D, production and quality assurance at Glaxo India for about ten years and was Director, R&D and QA at another pharmaceutical company. He is a member of the Royal Society of Chemistry.

### Mr. Davuluri Sucheth Rao
*Vice Chairman & Chief Executive Officer*

Mr. Davuluri Sucheth Rao has a degree in Mechanical Engineering and holds an MBA in Corporate Finance and Operations Management from University of Notre Dame, U.S.A. He was Production Group Leader in Cummins Inc., U.S.A. and later went on to become a green belt in Six Sigma. He has been actively involved in managing Neuland since 2002, initially as Chief Operating Officer (COO) and then as CEO.

### Mr. Davuluri Saharsh Rao
*Vice Chairman & Managing Director*

Mr. Davuluri Saharsh Rao is an Electrical Engineering Graduate and obtained his Masters in Management Information Systems from Weatherhead School of Management, Cleveland, Ohio, U.S.A. He also secured Master of Business Administration from University of North Carolina, U.S.A. He has worked in the past with Sify Limited in various roles in the Sales organisation. He joined Neuland in 2007, with responsibility for initiating the Custom Manufacturing Solutions (CMS) business.

### Dr. Christopher M. Cimarusti
*Non-Executive Director*

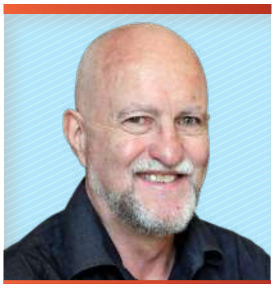
Dr. Christopher M. Cimarusti has completed his PhD in Organic Chemistry from Purdue University, U.S.A. and his postdoctoral research from Columbia University, U.S.A. He has more than 40 years of experience in the field of drug discovery, development and manufacturing, been awarded more than 60 patents and published more than 40 papers in referred journals. Dr. Cimarusti held executive leadership positions at Squibb Corporation and Bristol-Myers Squibb (BMS) in discovery and development. His last position with BMS was as Sr. Vice President, Pharmaceutical Development Centre of Excellence.

### Mr. Humayun Dhanrajgir
*Independent Director*

Mr. Humayun Dhanrajgir is a B.Tech, MI, CHEM (E) by qualification. With 45 years' experience in the pharmaceutical industry, he has held several senior positions in Glaxo India, including the roles of Managing Director and Executive Vice Chairman. He is a past president of Organisation of Pharmaceutical Producers of India (OPPI).

### Mr. Parampally Vasudeva Maiya
*Independent Director*

Mr. Parampally Vasudeva Maiya is an eminent banker and a Master of Arts by qualification. He had a long career of 32 years with the State Bank of India where he was a General Manager. He was deputed as the Executive Director of SCICI between 1991 and 1993, before relinquishing the position in 1994 to set up the ICICI Bank and become Managing Director. He retired as Chairman & CEO of the Bank in 1998. Subsequently, he was appointed as the Managing Director of Central Depository Services (India) Limited, which he also set up, and relinquished the post in December 1999. He is now a director of four companies including a large nationalised bank.



**Dr. Will Gordon Mitchell**
*Independent Director*

Dr. Will Gordon Mitchell is presently Professor of Strategic Management at Rotman School of Management (University of Toronto). He completed his PhD from the School of Business Administration of the University of California, Berkeley, U.S.A. In the past, he was J. Rex Fuqua Professor of International Management at Fuqua School of Business (Duke University), Durham, and Professor of Corporate Strategy and International Business at University of Michigan, U.S.A. He is on the editorial board of several management journals. His teaching and research interests include corporate strategy, alliance strategy and dynamics of the health care industry.

**Dr. Nirmala Murthy**
*Independent Director*

Dr. Nirmala Murthy is currently the founder member and advisor of the Foundation for Research in Health System, a non-government research organisation. She has a Masters degree in Statistics from Bombay University, India, and a doctorate from the Harvard School of Public Health, Boston, USA. She was a faculty of the Indian Institute of Management, Ahmedabad, in Public Health Management. She is a specialist in Health Information Systems, monitoring & evaluation of Health & Welfare programmes. She has designed several management training programmes. for health care providers working at different levels in the public health system. Currently her work involves using ICT to improve health outcomes among the rural poor. She has published over 50 research papers in journals and books, in the area of her expertise.

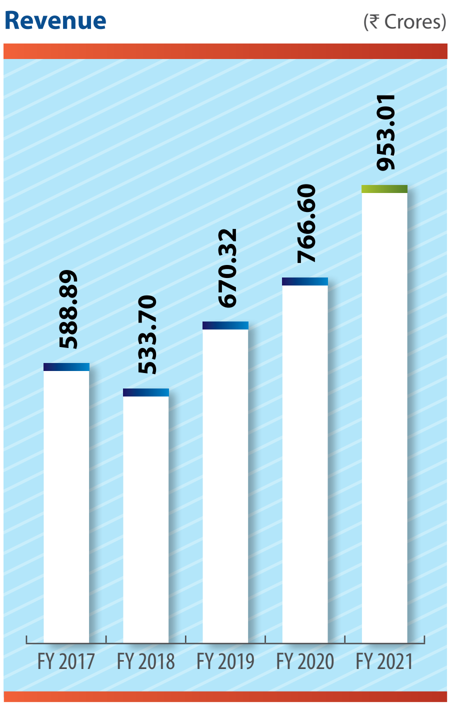
**Mrs. Bharati Rao**
*Independent Director*

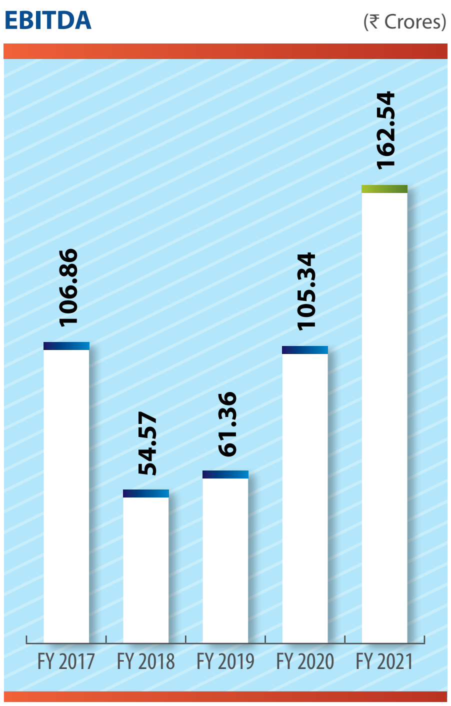
Mrs. Bharati Rao is currently a nominee director on the boards of SBICAP Ventures Limited, SBICAP Securities Limited, SBI Global Factors Limited, SBI Capital Markets Limited and Suzlon Energy Limited and director on the board of Vijaya Bank, as well as being an advisor to a number of other companies. She has over 40 years of experience in the banking and financial sector, having joined State Bank of India, in 1972. Since then she has held both domestic and international positions and titles, covering areas such as project finance, credit and risk management, development of foreign offices, human resources and mergers and acquisitions.

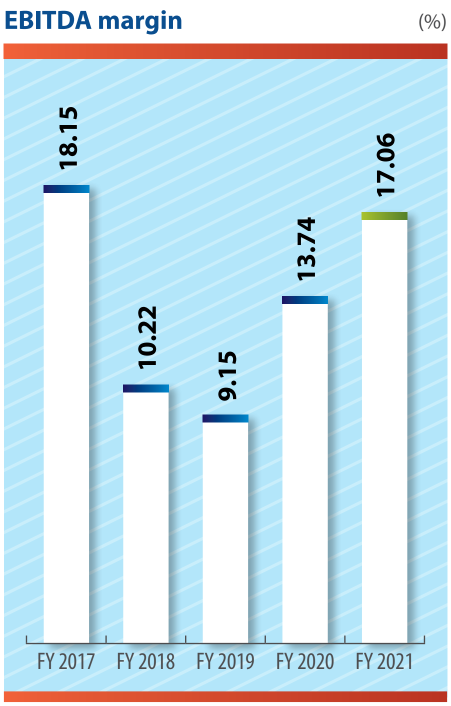
**Mr. Homi Rustam Khusrokhan**
*Independent Director*

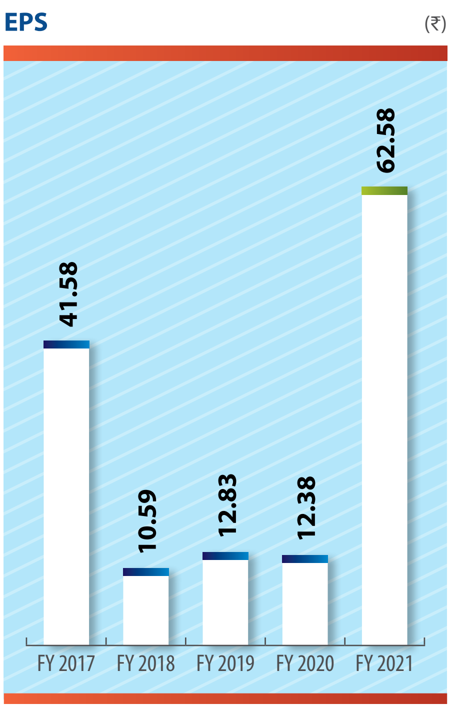
Mr. Homi Rustam Khusrokhan is a Fellow Member of the Institute of Chartered Accountants of India. He has obtained a B. Com (honours) degree from the University of Mumbai and an M.Sc. (Econ.) from the London School of Economics and Political Science. Mr. Khusrokhan has over 40 years' experience in the corporate sector and a wide experience and knowledge of modern management techniques. He has experience and expertise in pharmaceuticals, agriculture related businesses, international business and mergers & acquisitions. Mr. Khusrokhan has earlier been the Managing Director of Tata Tea Limited, Tata Chemicals Limited and Glaxo & Burroughs Wellcome in India. He was special Advisor the Government-appointed Board of Satyam after he retired from the Tata Group. He was President of the Organisation of Pharmaceutical Producers of India and Vice President of the Bombay Chamber of Commerce and Industry. He has served as an Independent Non-Executive Director on several Boards - Hindustan Lever, LIC Mutual Fund Trustee Company, Tata-AIG Life, Fulford India, ICICI Bank and Strides Pharma Science. He retired from the Tata Group in 2008 and is now a Senior Advisor to Tata Capital's Private Equity Funds. He is also President of the Bombay Natural History Society, Chairman of United Way, Mumbai and The Employers Federation of India, Western Region, Vice Chairman of the Red Cross in Mumbai and serves on the Board of The Anglo Scottish Education Society.

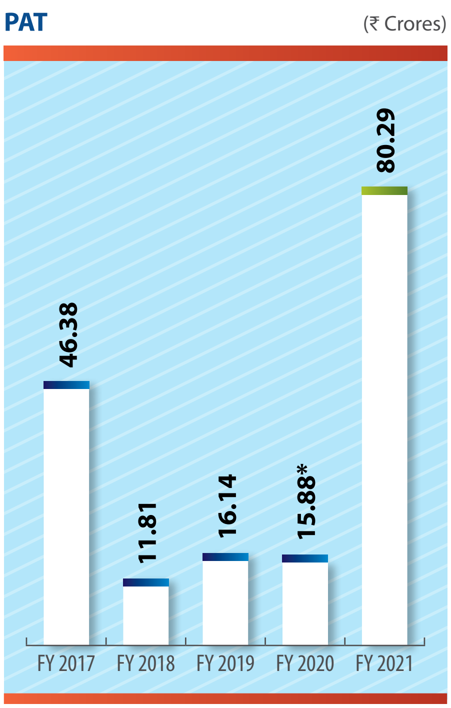
# Financial Highlights

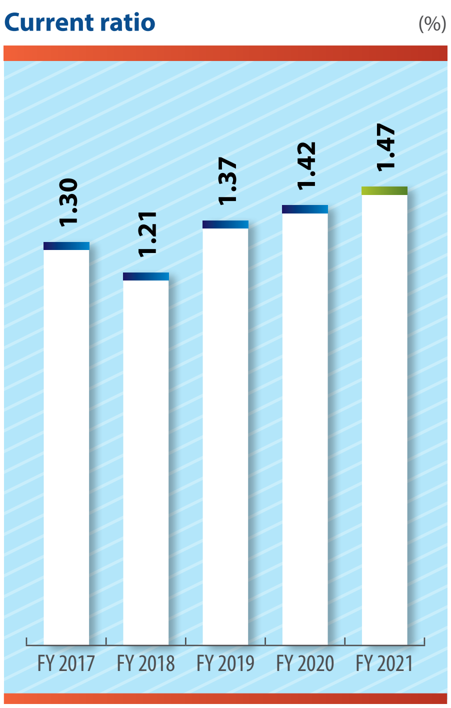


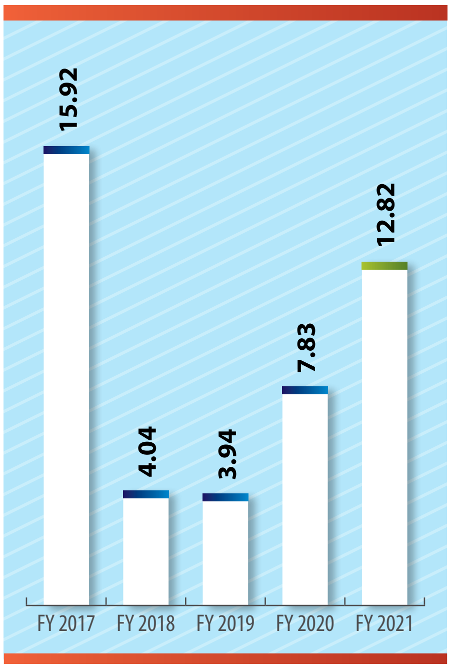



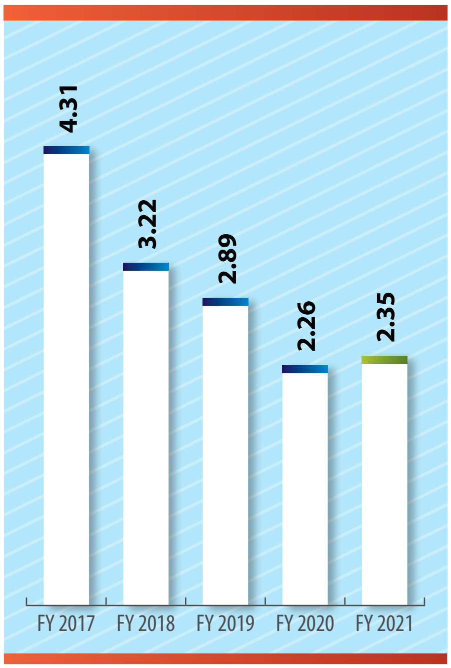



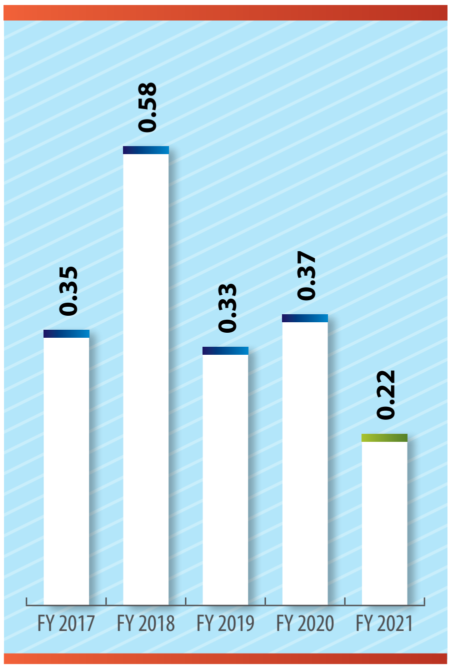
**Return on Capital Employed** (%)




**Fixed Assets Turnover** (No. of times)




**Debt to Equity** (%)




** This was after a one-time tax charge of ₹ 23.2 crores in Q4FY20 that the Company chose to exercise under Section 115BAA of the IT Act*

# Being Responsive Towards Customer Needs

**Across both our verticals of GDS and CMS, we are staying attuned to the requirements of our customers to deliver high-quality molecules that meet their expectations.**

### Building a quality-led portfolio

Our expertise in complex chemistry has enabled us to build a rich GDS product portfolio. This, together with our consistent product quality and on-time delivery, has earned us the reputation of being a preferred and reliable supplier for pharmaceutical companies worldwide. During the year, led by our deep domain knowledge and through customer collaborations, we introduced several specialty APIs to further strengthen our GDS product suite. Differentiated for their technological complexities, these new molecules will serve niche customer needs to be a strong driver of future growth. Additionally, we have six/seven molecules that are in late-stage development, of which we are on track to file about 5 DMFs in the current fiscal, assuming there is no significant business disruption. As we grow our GDS portfolio, with particular emphasis on enhancing our differentiated offerings, we are confident of delivering significant added-value to our customers.

### Serving across the product lifecycle

Backed by over 30 years of experience and expertise in the API industry, we provide end-to-end support for bringing new molecules to the market under our CMS vertical. The GDS vertical also extends lifecycle management to our customers so that the products retain their edge in the market.

Our CMS vertical provides multiple points of customer engagement, starting from the pre-clinical stage and extending to Phase 3 trials, development and commercialisation. While in the early stages of new molecule development, our complex chemistry capabilities have been instrumental in the acquisition of new projects, in the late-stage development and commercialisation stage, our ability to successfully ramp-up scale and transfer technology has given our customers the confidence to stay with us through the value chain.

Our growing talent and capabilities in the CMS vertical is reflected in the addition of several NCE APIs in New Drug Application (NDA) or commercial stage drugs and support for multiple APIs each year in Phase 2 and Phase 3 clinical candidates. Currently, we have 78 active CMS projects with 23 of them in the late-stage development, which includes molecules in development and Phase 3 stage. While providing long-term revenue visibility and a stable platform to grow the business further, our increasing inflow of late-stage projects is steadily enhancing our reputation as a dependable partner in the product innovation journey.

### Working with emerging biotech companies

The pharmaceutical industry is witnessing a growing innovation shift from large biopharmaceutical players to small and medium-sized enterprises. There has also been a rapid growth in the number of virtual biotech companies driving innovation. As these emerging biotech players usually lack the infrastructure, resources and expertise needed to drive innovation and commercialisation, they are increasingly accessing the services of contract development and manufacturing organisations. Outsourcing is also being driven by the emerging biotech players need to lower their drug development and production costs.

Bolstered by our positioning as an API expert, we, at Neuland, are increasingly focused on this customer group. Being a one-stop shop for all API needs, we can meet the complete requirements of emerging biotech companies, resulting in reduced risk and cost associated with technology transfers and faster production and delivery timelines. Our scientific expertise and robust infrastructure further underpin our value proposition as a strategic partner for accelerating innovation while reducing costs.

## Raising the bar of competency

Production of sterile APIs is a highly specialised capability that involves several complex processes. Our continued quest to raise the bar of our chemistry capability saw us develop processes for the manufacture of compliant sterile APIs, to further enrich our service offerings. We also successfully demonstrated our ability to map genotoxic impurities for assessing the safety and quality of products. Our genotoxic impurity testing services, carried out for several molecules, received appreciation from many customers.

Chemistry, Manufacturing and Control (CMC) activities involve defining the manufacturing processes, product characteristics and product testing at each stage of the product lifecycle to ensure that the product is safe, effective and consistent between batches. Significant improvements were made in our CMC services to better serve our customers in the regulatory filing of an NDA.

## Delivering value-added services

We take pride in our customers' success, viewing their achievements as our own. Going beyond a transactional relationship, we deliver value-added services that enable them to compress innovation cycles, reduce costs and successfully launch new products. Our earnest endeavour is to be a business partner in every sense by extending our complete scientific and technological support. For instance, with years of experience in API manufacturing, we have a strong understanding of the complications in large-scale production; in the case of our emerging biotech customers, who may not be best placed to envisage the full cycle of a product, we proactively share insights on the commercialisation phase even while their molecules are in the development stage.

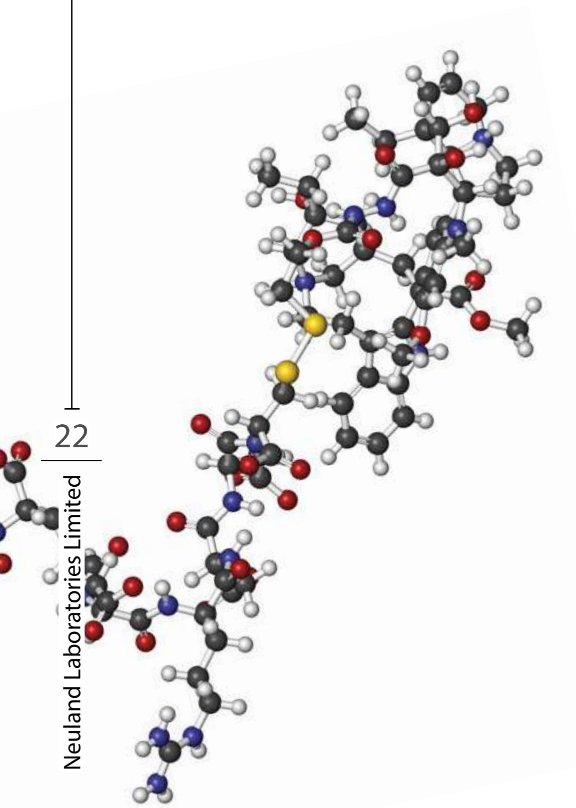
## Investing in our infrastructure

We recognise the importance of having world-class infrastructure to serve our global customer base. New capacities are being added to our cGMP compliant manufacturing facilities while further investing in strategic backward integration for efficient, scalable and customised commercial manufacturing. Our scientists are provided with best-in-class laboratories, equipment, materials and technologies to deliver innovation that are customers need. Capital investment for the year stood at ₹ 105.6 crores, a significant part of which was spent on sophisticated equipment for monitoring and testing of particles, automation, and instruments to help investigate the development of new processes.

*(For more details on our new infrastructure and equipment, please refer to pages 24-25).*

# Embracing Agile Practices

**We are dedicated to making research, development and manufacturing of our APIs simpler, reliable, faster, cost-effective and safer through our agile business practices.**



### Driving product lifecycle management

As dependable API manufacturer, we place great importance on not only developing new molecules but also on streamlining the processes for our existing molecules. Termed as product lifecycle management, this process optimisation is being driven by the expertise of our R&D team. Under product lifecycle management, processes are critically reviewed and refined with the aim to improve yields and productivity and reduce costs, so as to make our existing molecules more competitive in the global marketplace. During the year, various initiatives undertaken under product lifecycle management enabled us to scale-up our batch size, reduce cycle time, downtime and non-productive occupancy for our key products. We also came up with new ways to enhance our overall solvent recovery to minimise our impact on the environment. Our product lifecycle management initiatives have helped us to deliver benefits for our customers and us alike.

### De-risking our supply chain

With several raw materials being sourced for our API manufacturing, a de-risked supply chain is an important enabler of seamless and uninterrupted operations. Reducing our raw material dependence on any single geography, particularly China, has been an integral part of our risk mitigation strategy well before the pandemic. We have also been focused on shortening our supply chain by developing sources which are closer in terms of geographic proximity. To achieve these objectives, we have been enlisting qualified suppliers closer at home in India as well as in other markets.

Our alternate sourcing policy has enabled us to reduce our imports from China from over 40% in FY 2018 to around 20% at the close of the year under review. We aim to reduce our dependence on China's imports to 10% by FY 2024. Moreover, we have also reduced our dependence on any single external geography, with 11.8% in FY 2021 as against 21.6% in FY 2018/ previous year. Our proactive and planned approach to supply chain de-risking over the past few years has also enabled us to remain largely unaffected from the supply chain disruption triggered by the COVID-19 pandemic.

## Embedding digitalisation

We are embedding digitalisation deeper into our organisation with the aim to ensure smoother, faster, cost-effective and compliant operations that minimise and/or eliminate the possibility of human error. In our Supply Chain function, for instance, we have digitised the processes on the inbound procurement side as well as those on the outbound logistics side. This has facilitated the benefits of real-time visibility, timely deliveries and cost optimisation, among others. In Quality Control, Quality Assurance Management System (QAMS) has been implemented while laboratory automation through the deployment of Laboratory Information System (LIMS) is in progress. Digitisation of data and automation of processes is driving better deviation management and greater transparency and traceability of data, thereby leading to improved regulatory compliance and efficiency. In the midst of a rapidly-changing environment, we have further accelerated this shift to digitalisation. In the aftermath of the COVID-19 pandemic, with physical audit of our facilities getting impacted due to travel restrictions, we are ready to satisfy our customers and regulatory authorities on our compliance via online audit.

## Strengthening project management

We recognise the imperative of delivering the highest standards of transparency, flexibility and reliability to our customers. Enabling this objective is our strong focus on project management. Our dedicated project management team members manage every project with individual attention to ensure on-time in-full (OTIF) delivery while always meeting the quality standards our customers expect from Neuland. Our reliable project management system is also helping us to scale up projects faster and seamlessly. During the year, several new initiatives were taken to further strengthen our project management capabilities, including rolling out of new training programmes for enhancing the skills and expertise of our project managers. Our increased focus on project management will ensure that our customers continue to view our resources as an extension of their own resources and reinforce the trust they place in us.

## Building on operational measures

We have intensified our focus on the concepts of Quality by Design, OTIF and First Time Right to drive further improvement in our operational efficiency. Quality by Design is aimed at ensuring the highest quality standards in our processes and products through sound science and quality risk management. With our focused efforts at customer collaboration and supply chain optimisation, along with investments in capacity enhancements, we continue to work towards supporting a high rate of OTIF deliveries. To ensure that our processes are performed in the right manner the first time and every time, we are actively focusing on robust technology transfers. Our extensive review processes was further strengthened to build on our efficiency. All these focused actions are in line with our priority to ensure 24x7 GMP compliances across all our sites and be in a state of 'all time inspection' readiness.

### READY FOR TOMORROW

With spare capacity and multiple production lines, Neuland is well-positioned to meet the growing needs of customers.

# Enhancing our Capabilities and Capacity

## R&D Investments

### People

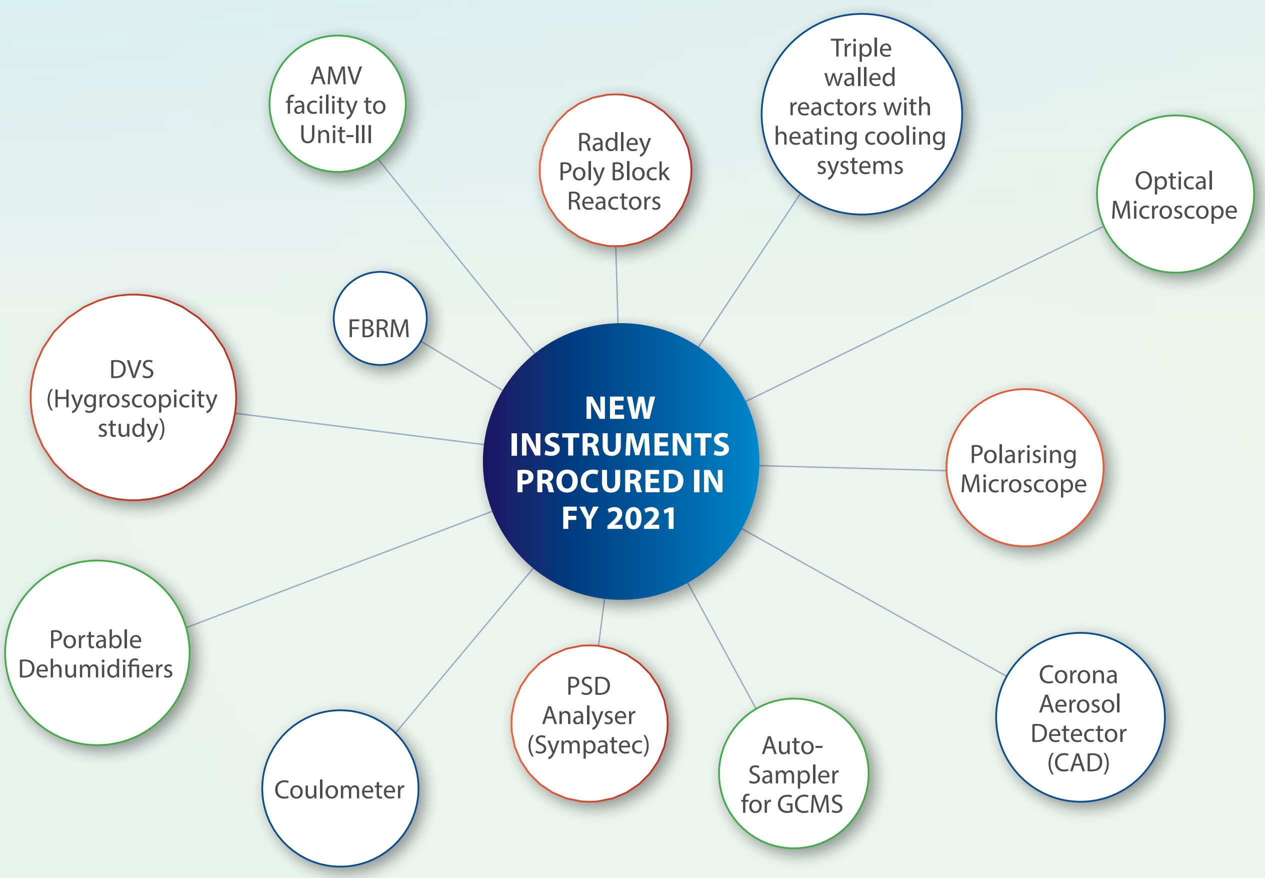
1. Several competent resources have been recruited who are specialised in key areas like Peptides, Catalysis, Chiral Synthesis and Process Engineering.

### Infrastructure and Capacity

1. Additional peptide laboratory with 7 fume hoods.
2. Additional specialty laboratory created from existing wet lab. This has created space for accommodating additional R&D resources and equipment.
3. A non-GMP kilo lab was commissioned at Unit-III, which is exclusively for R&D to take up pilot scale reactions and other non-GMP intermediates.
4. New analytical validation laboratory is being commissioned at Unit-III for R&D.

### Instrumentation

1. Several state-of-the-art instruments and equipment have been added to the Analytical R&D and Process Engineering laboratories.
2. ICPMS, XRPD, LCMS, autosamplers for GC, 3D image instrument, coulometer, etc. added to the Analytical R&D laboratory.
3. Parallel port reactors, heating cooling systems and double jacketed reactors for performing QbD/DoE studies added to R&D laboratories.
4. FBRM, aerosol detector, particle size analyser, dehumidifiers added to Process Engineering and Safety laboratories.



| Research Activity | New Capabilities |
|---|---|
| **FBRM** | Can check particle size distribution online during the crystallisation process that helps in studying and achieving required polymorph; all new R&D projects which involve morphology requirement. |
| **Peptide Laboratory** | Created new laboratory with additional 7 fume hoods, including laboratory area of 9,800 sq.ft. where 25 chemists can be accommodated to run projects effectively. |
| **Poly Block Reactors** | Automated glass reactor setup enables more accurate heating and cooling profiles for solubility/crystallisation studies and for carrying out multiple reaction (4 reactions) in a single set-up. |
| **Laboratory Reactors** | For DOE studies and projects which require higher temperatures; able to perform reactions from -90 to 200 degrees. |
| **Heating & Cooling Systems** | For DOE studies and projects which require higher temperatures; able to perform reactions from -90 to 200 degrees. |
| **Hazardous & Wet Laboratory** | Created dedicated area for handling hazardous chemicals (carcinogens, cytotoxic, pyrophoric) and high-risk reactions (handling of 25 litres RB's) and expansion of wet laboratory. |
| **PID Laboratory, Unit-III** | To support and address commercial product quality issues, vendor qualification, impurities synthesis and cost reduction. |
| **PID Laboratory_ B-S, Unit-I** | Expansion with three fume hoods along with space for two additional laboratories. |
| **Other Lab Equipment** | |

No. of Chemical R&D Labs – **11**

No. of Peptide Labs – **2**

No. of Analytical R&D Labs – **11**

Other Labs – **3** (Process Safety, Specialty, Hydrogenation)

Other Key Functions – Project Management, Development Quality Assurance (DQA), Tech Transfer, IPR (Intellectual Property Rights)

## Investing in our Manufacturing Prowess

| | Unit-I | Unit-II | Unit-III |
|---|---|---|---|
| Blocks | 7<br>Block-1, 2, 3, 4, H, KL & S | 6<br>Block-1, 2, 3, FC, NMSM, Mini plant | 4<br>Block-1, 2, 4, 5 |
| Total Reaction volume | 233KL | 356KL | 271KL |
| Hydrogenation reaction volume | 7.4KL | 6KL | Facility creation under process |
| Cryogenic reaction volume | 25KL | 15KL | 15KL |
| Other capabilities | • Bromination<br>• Metal Hydride Reactions<br>• PCl5 reactions<br>• HCl gas reaction<br>• Oxidation<br>• Silylation Reaction | • Friedel Craft Reactions<br>• Grignard Reactions<br>• Metal Hydride Reactions<br>• Oxidation | • Cyanation<br>• Metal Hydride Reactions<br>• Oxidation<br>• HCl gas reaction |
| **Solvent recovery system** | **100 KLD** | **20 KLD** | **50 KLD** |

# Nurturing our Talent

**Our people are fundamental to our success. We remain steadfast in our commitment to attract, retain, develop, engage and inspire a talented team.**

We have a multi-year HR plan that focuses on five strategic areas: Talent Acquisition, Talent Management, Learning & Development, Employee Experience and Neuland Culture. Our structured approach is aimed at unlocking the full potential of our people, which, in turn, will enable Neuland to unlock sustained higher growth.

In line with our organisation-wide digital transformation journey, we are increasingly digitising our HR processes as well. Our online platform SAP Success Factors saw the addition of several new modules to further transform employee engagement, empowerment and experience.

### Talent Acquisition

We continued to strengthen our talent acquisition process through the following key interventions:

- Successfully onboarded Fixed Term Employment Contract resources in pharmaceutical area operations to create dedicated manpower in this critical area, with career path opportunity for chemist pipeline
- Successfully onboarded resources under the National Apprentice Promotion Scheme in partnership with Life Sciences Skill Development Council of India, creating a strong chemist pipeline for shopfloor operations
- Launched behavioural-based interviewing process in partnership with Thomas International to improve quality of selection process for managerial and senior executive roles
- Strategic investment in future talent pipeline through systematic integration of 2020 batch of management trainees in Business Development, Manufacturing, IT, HR, Supply Chain and Finance
- More than 20 Neuland alumni were rehired into Neuland
- 30-60-90 day rigorous integration plan implemented for mid and senior-level managerial hires with impactful engagement, cross-functional interactions and detailed assessment across reporting line, senior executive leadership and HR

### Talent Management

Once we have attracted the talent we need, we recognise that it is crucial that we retain that talent. In line with this objective, we are consciously improving how we motivate and inspire our people and ensuring that they have the opportunities to grow.

- Digitised several processes of performance management to build a more effective framework and keep employees better-informed regarding their performance
- Developed processes and digital tools to map talent risks for business-critical talent; identify business critical positions and develop fast trackers; map successor readiness for key leadership roles; and get in-depth talent rating
- Driving custom interventions across various layers of workforce demographics including leaders in business-critical positions and a more visible rewards and recognition including special short and long-term bonuses

**4.5**

Our rating at Glassdoor (an online employee rating site), up from 3.8 in the previous year

## Learning & Development

Under the 'Leadership & Development' pillar of our HR plan, focused at growing the skills and capabilities of our people, multiple initiatives were rolled out during the year, including:

- Learning interventions that create high business impact such as reduction of documentation errors in manufacturing area and human error reduction in HPLC Section of Quality Control
- Supervisory Development Programme for supervisors in manufacturing function
- Technical Report Writing Programme for improving the reading, speaking and writing skills of R&D and Quality personnel
- Multiple online learning interventions including tie-up with GreyCampus for Lean Six Sigma and Project Management certification

## Employee Experience

We aim to foster an environment in which employees feel pride and energised working for Neuland and more connected to their colleagues and to the organisation as a whole. The key initiatives undertaken in this regard include:

- End-of-month live leadership webinars by CEO, MD and C-Suite across all leadership functions throughout the year to provide business overview, strategic updates and direct employee connect. More than 1000 plus employees tuned in for these highly interactive updates that were digitally enabled through Microsoft Teams Live Events platform
- Monthly Town Halls kicked off in plants and manufacturing locations
- International Women's Day celebrations through special gifts
- Virtual engagement events to connect with employees and their families, such as friendly quiz, ethnic attire, painting and singing competitions
- Introduced medical insurance coverage on a group policy basis in case of COVID-19 hospitalisation of employees and their parents
- Elevated focus on employee health and wellness by providing vitamin supplements, pulse oximeters, etc.

## Neuland Culture

Across all facets of our business, we strive to espouse a corporate culture that champions participative decision-making, cross-collaboration and feedback. The key highlights in this regard include:

- Continued emphasis on embedding distributed leadership to drive business agility and unlock the potential of our team across all levels in the organisation
- Circle meetings held to remove communication barriers and bring full participation and high value to the meetings
- Conducted employee engagement surveys and feedback taken on key initiatives to further help us improve our overall business performance and HR practices

# Financial Performance 10-Year Track Record

## STANDALONE

₹ in Lacs

| STATEMENT OF PROFIT AND LOSS | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Income | 95,301 | 76,660 | 67,032 | 53,370 | 58,889 | 51,159 | 46,993 | 46,911 | 46,390 | 44,993 |
| EBITDA | 16,254 | 10,534 | 6,136 | 5,457 | 10,686 | 8,149 | 6,715 | 7,371 | 6,145 | 4,835 |
| Finance Costs | 1,790 | 2,157 | 1,566 | 1,892 | 2,108 | 2,447 | 2,735 | 2,455 | 3,133 | 3,327 |
| Profit Before Taxes^ | 10,496 | 5,250 | 1,984 | 1,354 | 6,655 | 4,128 | 2,448 | 3,422 | 1,549 | 18 |
| Profit After Taxes | 8,029 | 1,588 | 1,614 | 1,181 | 4,638 | 2,641 | 1,578 | 2,667 | 1,364 | 203 |
| Earnings Per Share of ₹ 10 | 62.58 | 12.38 | 12.83 | 10.59 | 41.58 | 29.73 | 18.47 | 32.16* | 17.84 | 3.36 |
| Dividend Per Share of ₹ 10 | 5.00 | 2.00 | 1.20 | - | - | 2.00 | 1.50 | 3.00 | 1.20 | - |

*^ Before Prior Period and Exceptional Items * Adjusted for bonus element of rights issue in accordance with the provisions of AS 20*

| BALANCE SHEET | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Networth | 78,188 | 70,555 | 69,558 | 55,478 | 54,277 | 18,417 | 15,982 | 12,260 | 9,858 | 7,511 |
| Loan Funds | | | | | | | | | | |
| Term Loans | 11,006 | 8,860 | 7,929 | 11,750 | 3,968 | 4,527 | 2,884 | 2,495 | 5,180 | 8,678 |
| Working Capital | 5,698 | 16,817 | 14,906 | 19,920 | 15,108 | 12,363 | 14,580 | 13,662 | 12,947 | 12,678 |
| Others | 313 | 282 | 311 | 250 | 135 | 1,313 | 1,312 | 2,853 | 3,206 | 651 |
| Fixed Assets | 42,247 | 36,320 | 33,669 | 29,163 | 17,588 | 17,925 | 16,454 | 16,542 | 17,121 | 17,844 |
| Goodwill | 27,946 | 27,946 | 27,946 | 27,946 | 27,946 | - | - | - | - | - |
| Cash and Bank Balances | 1,808 | 4,569 | 3,735 | 1,705 | 1,204 | 904 | 649 | 668 | 775 | 1,143 |

| KEY RATIOS | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA as % of Income | 17.06 | 13.74 | 9.15 | 10.22 | 18.15 | 15.93 | 14.29 | 15.71 | 13.25 | 10.75 |
| Fixed Assets Turnover (No. of Times)^^ | 2.35 | 2.26 | 2.89 | 3.22 | 3.77 | 3.69 | 3.82 | 3.58 | 3.42 | 2.97 |
| PBT^ / Income (%) | 11.01 | 6.85 | 2.96 | 2.54 | 11.30 | 8.07 | 5.21 | 7.30 | 3.34 | 0.04 |
| PAT / Income (%) | 8.43 | 2.07 | 2.41 | 2.21 | 7.88 | 5.16 | 3.36 | 5.68 | 2.94 | 0.45 |
| Return on Capital Employed (%) | 12.82 | 7.83 | 3.94 | 4.04 | 15.92 | 18.42 | 15.70 | 18.82 | 15.43 | 11.11 |
| Return on Tangible Net worth (%) | 17.30 | 3.77 | 4.67 | 4.38 | 20.73 | 15.36 | 11.18 | 24.11 | 15.70 | 2.74 |
| Net-Debt to Tangible Net worth | 0.30 | 0.50 | 0.47 | 1.10 | 0.68 | 0.94 | 1.13 | 1.50 | 2.09 | 2.78 |

*^ Before Prior Period and Exceptional Items ^^Excluding Goodwill and Capital Work in Progress*

| OTHERS | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Neuland Share Price on BSE (₹ per Share of ₹ 10)* | 2,087.95 | 283.45 | 674.35 | 707.05 | 1,488.15 | 700.00 | 333.00 | 260.00 | 93.85 | 72.90 |
| No. of Equity Shares (in Lacs) | 128.30 | 128.30 | 128.30 | 111.55^ | 111.55^ | 88.83 | 88.83 | 76.56 | 76.45 | 53.96 |
| Market Capitalisation (₹ in Lacs) | 2,67,882 | 36,366 | 86,518 | 78,871 | 1,66,001 | 62,183 | 29,581 | 19,905 | 7,175 | 3,934 |
| Book Value (₹ per Share of ₹ 10) | 609.42 | 549.92 | 542.16 | 497.34 | 486.58 | 206.93 | 179.58 | 160.14 | 128.95 | 139.17 |

** Based on year-end closing prices quoted in BSE ^ Including equity shares allotted on April 30, 2018 pursuant to the scheme of merger*

*Note: FY 2018 and FY 2017 performance details are based on Post Merger financial statements prepared under IND-AS*

# Management Discussion & Analysis

Massive vaccination drives and additional policy support in few large economies have raised hopes of a turnaround in FY 2021 with growth expectations of 5.5% followed by 4.2% in 2022.

## Economic Overview

### World economic overview

The year 2020 posed significant challenges for economies across the globe with lockdowns posing a threat of deep recession. However, sizeable, swift and unprecedented fiscal, monetary and regulatory responses by most Governments helped to maintain disposable income for households, protect cash flow for firms, and support credit provision. The global contraction for 2020 is estimated at 3.5%, led by China's quick recovery and better than expected GDP outturns in large advanced economies. Massive vaccination drives and additional policy support in few large economies have raised hopes of a turnaround in 2021 with growth expectations of 5.5% followed by 4.2% in 2022. Across countries, recovery levels may vary significantly depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis.

### Indian economic overview

Second half of FY 2020-21 saw some recovery as restrictions on inter-state movements were lifted to ensure mobility of goods, thereby easing supply-side pressures. This was also reflected in pick-up seen in industrial activity.

The second advance estimates of National Income for FY 2020-21 by the National Statistics Office indicate real GDP contraction at 8% for FY 2021 distorted on account of significant growth of subsidies. A sharp recovery in GDP growth was witnessed in Q3 FY 2020-21 at 0.4% as compared to the steepest ever 24.4% contraction in Q1, and 7.3% contraction in Q2. In order to boost the economy, the Government initiated several investment-focused spending programmes like the national infrastructure pipeline, demand-driven capex, and the Centre's Production-Linked Incentive (PLI) scheme.

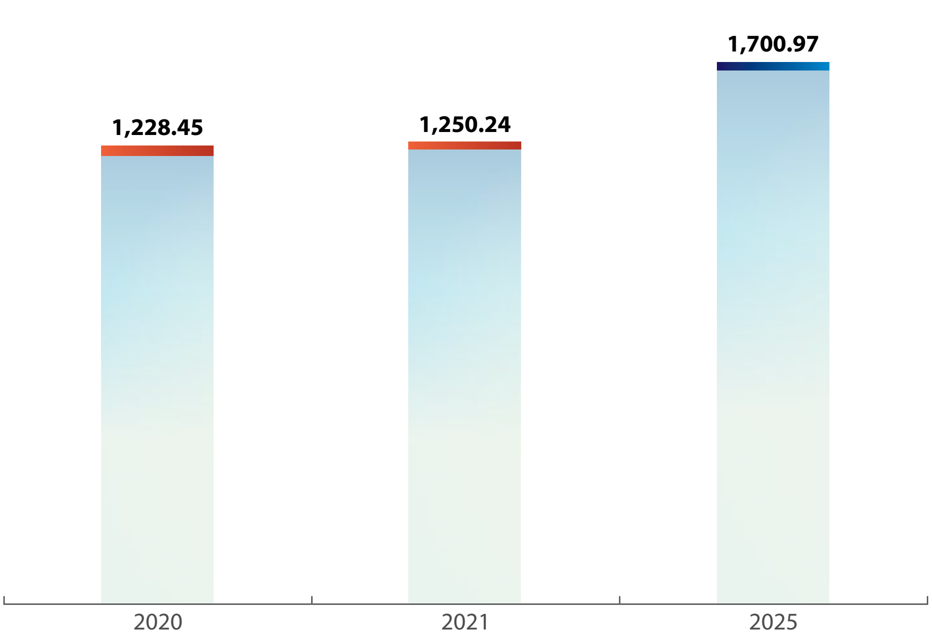
However, post March 2021, economic growth witnessed setbacks caused by the fragmented, yet prolonged state lockdowns, following the tremendous rise in infections in the second wave of the pandemic. The second wave appears to have hit the affluent, city-dwelling, consumer population harder resulting in deeper economic losses, owing to reduced consumption and investment. Lower consumption may have a cascading effect and result in less hiring, lower wages, and a second hit to consumption.

India's economic growth is estimated at 9.3% in FY 2021-22 as per Moody's Analytics, with expectations that the second wave of COVID-19 to be less disruptive than the first wave. The re-imposition of "micro-containment zone" lockdown measures are likely to curb economic activity and could dampen market and consumer sentiment. Unlike the first wave where lockdowns were applied nationwide for several months, the second wave measures are more localised, targeted and will likely be of shorter duration. Businesses and consumers have also grown more accustomed to operating under pandemic conditions.

## Global Pharma Market

The demand for healthcare and innovative solutions is growing globally with chronic diseases on the rise. The global pharmaceuticals market is expected to grow from $1,228.45 billion in 2020 to $1,250.24 billion in 2021 at 1.8% CAGR. The slowdown in growth is mainly due to the companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities causing operational challenges. The market is expected to reach $1,700.97 billion in 2025 at 8% CAGR.

**Global pharmaceutical market in $ billion**




North America was the largest region in the global pharmaceuticals market, accounting for 46% of the market in 2020, owing to increasing prevalence of chronic diseases and skyrocketing number of COVID-19 cases in the US. Asia-Pacific was the second largest region accounting for 26% of the global pharmaceuticals market. Africa was recorded as the smallest region in the global pharmaceuticals market.

The global pharmaceuticals market is projected to rise at a considerable pace driven by the increasing investments in product R&D. The efforts put in to develop efficient products will bode well for the growth of the overall market in the coming years.

*(Source: https://www.globenewswire.com/news-release/2021/03/31/2202135/28124/en/Global-Pharmaceuticals-Market-Report-2021-Market-is-Expected-to-Grow-from-1228-45-Billion-in-2020-to-1250-24-Billion-in-2021-Long-term-Forecast-to-2025-2030.html)*

### Specialty Medicines

The global pharmaceutical market is segmented by two types: traditional pharmaceutical and specialty pharmaceutical. At present, traditional pharmaceutical is in the dominating position across the globe, but due to increasing demands of specialty pharmaceutical products, it is anticipated that specialty pharmaceuticals growth will become the dominant segment in the coming years. These drugs are mainly used to treat serious, chronic or life-threatening conditions such as cancer, growth hormone deficiency, rheumatoid arthritis and multiple sclerosis. Specialty drugs are more expensive than traditional drugs. Currently, about 36% of total pharmaceutical spending in the commercial market is specialty medications. According to IMS Institute for Healthcare Informatics, about 42% of drugs in the late stage of the FDA approval process are specialty medications. Global Specialty Pharmaceuticals Market is expected to be $568 billion by 2026.

North America dominates the global specialty pharmaceuticals market owing to heavy investments in R&D initiatives, technological expansions and integration of pioneering technologies, presence of major players and high occurrence of lifestyle-related diseases. Asia-Pacific market is expected to witness a strong growth rate majorly due to high population growth rate, growing prevalence of chronic diseases and rising adoption of advanced technologies. As per World Health Organisation (WHO), chronic disease risks and deaths are increasing rapidly, especially in pharmerging countries. According to WHO, almost 23.6 million people will die from cardiovascular diseases, mainly from heart disease and stroke by 2030.

*(Source: https://www.pharmiweb.com/press-release/ 2020-08-24/specialty-pharmaceuticals-market-size-2020-top-companies-analysis-share-growth-trend-and-research)*

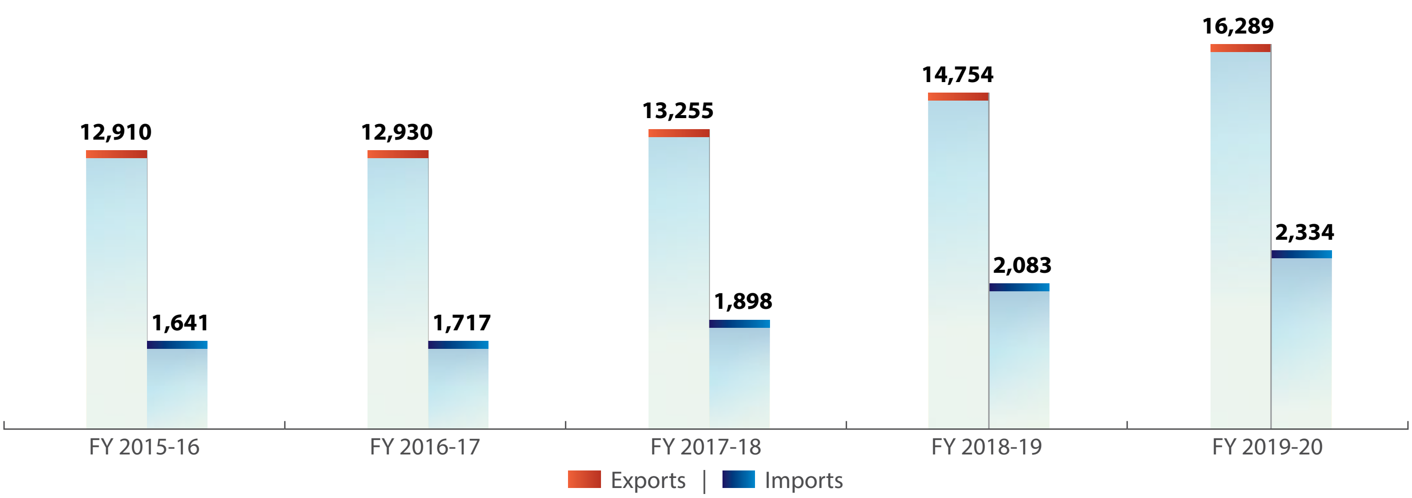
## Pharmacy of the world

The Indian pharmaceutical market for the first time ever crossed the ₹1,00,000 crores mark in November 2020 on the basis of Moving Annual Total (MAT).

## Indian pharma sector

The Indian pharmaceutical industry is worth $41 billion. India produces the cheapest drugs in the World, exporting pharma products to ~200 countries, with export earnings of $16.28 billion in FY 2020. India manufactures more than 50% of the World's vaccines and is also the biggest player in the global generic drugs market with 20% market share. 40% of generic medication in the US and 25% of all medicines in the UK are provided by India alone. India has the highest number (more than 664) of US Food and Drug Administration (US FDA) approved facilities outside the US, over 2,050 World Health Organisation-Good Manufacturing Practices (WHO-GMP) approved pharmaceutical plants and over 697 European GMP compliant plants.

**Pharmaceutical products ($ million)**




*Source: Niti Aayog Annual Report 2021*

The cost of manufacturing in India is ~33% lower than that of the US making it a suitable marketplace for investors to invest more in the country. The increasing FDI inflows is a reflection of the firm belief by global investors that India will lead as one of the major growth engines coupled with a steady spate of market reforms. The pharma sector is well poised and is attracting FDI and exploiting the several opportunities the pandemic has presented.

With access to large consumer markets, generation of new employment opportunities, rapidly budding R&D and rise in net foreign exchange earnings, the total market size of the Indian pharma industry is expected to reach $100 billion by 2025, as per a report by India Brand Equity Foundation (IBEF).

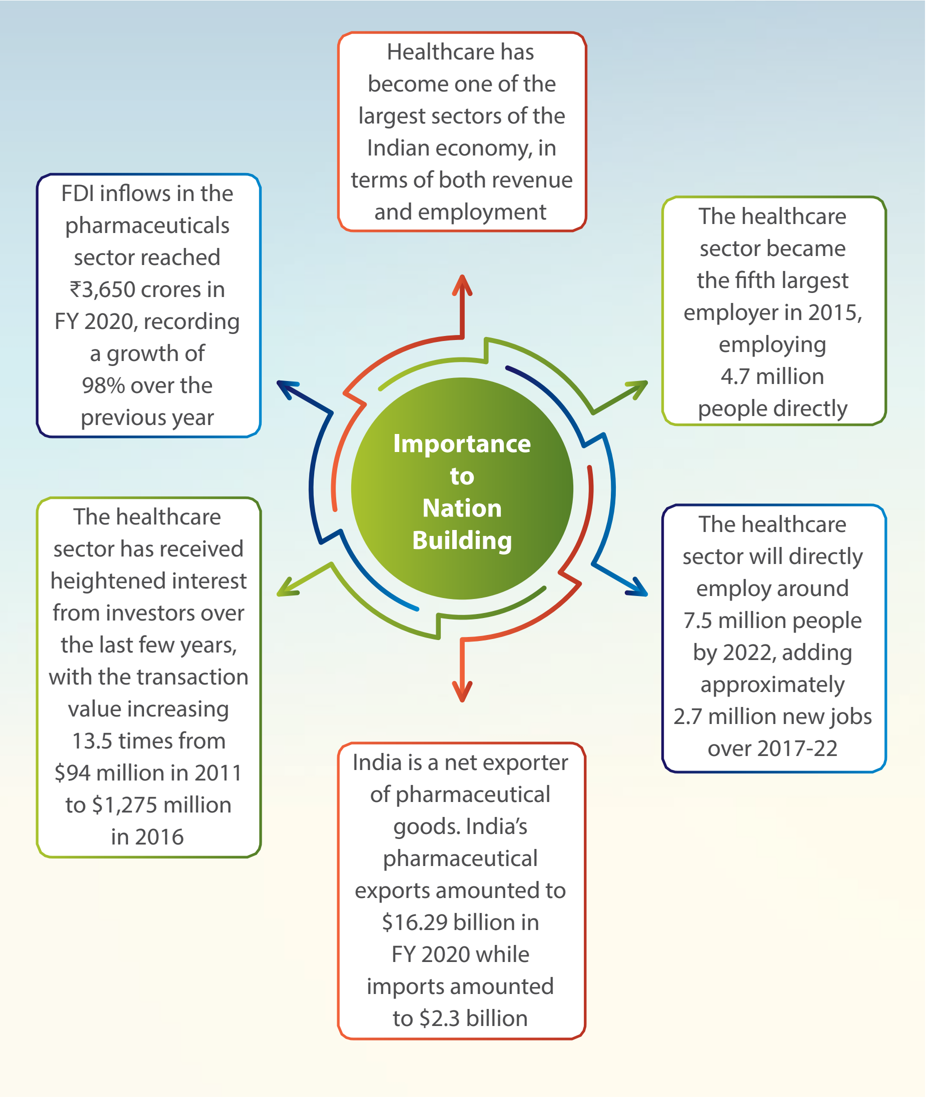
## Government push for pharma sector growth

The Government's concerted push towards the pharma sector through initiatives such as Make in India, Ayushman Bharat Scheme, National Digital Health Mission etc., has cemented India as a leading global capital market.

- Production linked incentive (PLI) scheme for the pharma industry worth ₹15,000 crores ($2.04 billion) to promote domestic manufacturing of critical key starting materials (KSM), drug intermediates, and active pharmaceutical ingredients (APIs) making India a leading supplier. The Government has approved a total of 33 applications with a committed investment of ₹5,082.65 crores under a separate PLI scheme for APIs
- Increased thrust on rural health programmes, lifesaving drugs and preventive vaccines
- Plan for a mega bulk drug parks to reduce raw material dependence on imports
- The Union Budget 2021-22 saw an unprecedented increase in allocation for health sector like:
    - Increased spending on healthcare from 1.2% of the GDP to 2.5% of the GDP
    - ₹64,180 crores allocation for the Atmanirbhar Swasth Bharat Yojana for development of primary, secondary, and tertiary healthcare over a period of six years
    - ₹2,23,846 crores budget outlay for health and well-being for FY 2022, an increase of 137% over previous year
    - ₹35,000 crores outlay for COVID-19 vaccines and national rollout of pneumococcal vaccines to help save over 50,000 lives annually
    - ₹6,429 crores for health insurance scheme, Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana

## Key growth factors of the pharma sector

The Indian pharma sector growth looks promising given strong Government focus on improving accessibility, increasing affordability and growing acceptability of pharma. The Government has taken several initiatives like massive inoculation drive, Atmanirbhar Swasth Bharat Yojana to develop capacities of primary, secondary, and tertiary healthcare systems, focus on Medical Value Travel, launch of PM-JAY to increase penetration of health insurance, $200 billion investment on medical infrastructure over 10 years, Ayushman Bharat Yojana, Pradhan Mantri Bhartiya Janaushadhi Pariyojana, focus on medical education etc.




# Active Pharmaceutical Ingredients (APIs)

## Changing dynamically

### Global API Sector

The global active pharmaceutical ingredients market size was valued at $187.76 billion in 2020 and is expected to expand at 6% CAGR to $248.3 billion by 2025. Market growth is attributable to rising drug R&D, increasing incidence of chronic diseases, growing importance of generics, and increasing uptake of biopharmaceuticals. However, unfavourable drug price control policies across various countries and high manufacturing costs may dampen growth. The prominent trends that the market is witnessing include, growing geriatric population, rapid growth in biopharmaceuticals sector and technological advancements in manufacturing. Patent expiration of the major drugs, rising demand for biotech APIs from government and private companies, market entry of biosimilars, increasing scope of high potent drugs and increase in the prevalence of chronic diseases such as cancer, musculoskeletal disorder, cardiac disease are some of the major factors that are driving the market growth. India is expected to become the second largest global generic API merchant market by 2020, overtaking Italy.

Geographically, the active pharmaceutical ingredients market is segmented into North America, Europe, Asia, and Rest of the World. North America accounted for the largest revenue share of 39.5% in 2020 attributed to the rising epidemiology of cancer, along with other lifestyle-induced diseases, thus encouraging the R&D activities, thereby boosting the market growth. India is the second largest supplier of generic APIs to the US market capturing 24.4% share, according to the CPA report. India is also increasing its supply to Western Europe, accounting for 19.2% of the supply to the region. Asia-Pacific market growth is driven by low labour cost, abundant availability of raw materials, infrastructure facility, rise in generic drugs demand, increased production capabilities, the presence of a large number of domestic and international players, and concentration of CMO companies.

The API market can be segmented into innovative and generic APIs based on types. The innovative APIs segment accounted for the largest share of the global active pharmaceutical ingredients market in 2019. Increased FDA approvals for new molecular entities, high price of innovative APIs as compared to the generic drugs, increased focus on R&D by the innovator API companies are the factors contributing towards the growth of the innovative APIs segment.

With the rising cost of healthcare, governments are pushing for increasing generics consumption over branded drugs, thus driving the growth of generic APIs market. Additionally, several major pharmaceutical companies are also focusing on generic drugs along with branded drugs due to eroding product pipeline and patent expirations.

*(Source: https://www.marketsandmarkets.com/Market-Reports/API-Market-263.html)*

## Indian API Sector

Active Pharmaceutical Ingredients (API) is an important segment key to the Indian pharmaceutical industry. The industry in India includes domestic and in-house consumption as well as exports. The country contributes 57% of APIs to the WHO's prequalified list. In FY 2019-20, 33% of all Abbreviated New Drug Applications (ANDAs) were filed by Indian companies. The growth of the industry has been driven by adopting global standards and setting up large scale plants in the country. India has the highest number of US FDA approved plants, approximately 665.

Due to the competitive pricing offered by Chinese suppliers, in the last few years, the Indian API industry has been dependent on China for imports of APIs and advanced API intermediates. API imports from China has spiked from around 1% in 1991 to around 70% in 2019, primarily backed by large-scale manufacturing incentives and state-driven subsidies offered in China to promote exports. In the recent past, the actual market price of some of the APIs which are imported from China has risen steeply, thereby raising the input cost.

The recently announced PLI schemes of the Government and bulk drug parks can help reduce this dependence on China. These schemes provide level playing field by lowering the cost differential between India and China to close to zero for the APIs included in the PLI scheme as well as for any player who set up a plant in bulk drug parks. Between 2018 and 2024, patents worth $251 billion are going to expire globally, which will also present a lucrative opportunity for the Indian pharmaceutical sector. With such a major focus on pharmaceutical industry in general and APIs in particular, India seems set to become the pharma supplier for the world.

There are over 2,700 API manufacturers in the country, of which majority are small unorganised manufacturers. Though API market is currently highly fragmented, consolidation in the coming years is due led by increasing competition and foreign investment.

*(Source:https://www.pwc.in/assets/pdfs/industries/pharmaceuticals-and-life-sciences/reviving-indias-api-industry.pdf)*

### Challenges impacting the Indian bulk drug industry

Indian API manufacturers lost their competitive edge in manufacturing APIs at the lower end of the spectrum and fermentation technologies to countries like China, largely on account of factors like:

- Stricter implementation of pollution control norms and complex approval process for setting up manufacturing plant, leading to higher costs of manufacturing
- Issues in interpretation of the Drug Price Control Order (DPCO), 2013
- No financial incentives like lower tax, cheaper utilities and land subsidy to lower capex requirement
- Lack of large-scale mega parks to manufacture bulk drugs
- Collapse of the fermentation industry in India
- Strict price control regime

### Outlook

Indian API market holds huge potential to cater to the domestic market and to cater the needs of all leading manufacturers of the world. The over-dependence on China is reducing due to rising cost of Chinese APIs and positive reforms by Indian government. Indian API market is expected to grow at 10.67% CAGR by 2025. However, stringent regulations are one of the major challenges that the market faces. Such regulations are particularly well defined for the export of products to developed regions such as Western Europe and North America. The global API market is extremely competitive with a number of large and small manufacturers. Firms that engage in API manufacturing have to move from generic synthetic to high potency APIs, and biotech and bio similar APIs to retain competitive edge in world markets. Several US and Europe based pharmaceutical companies are actively looking to de-risk their supply chain from China, post COVID-19 pandemic. Indian companies have an edge, given their long history of supplying APIs and formulations globally, better quality, regulatory compliance, better supply reliability and cost-effective products.

*(Source: http://www.pharmabiz.com/NewsDetails.aspx?aid=121677&sid=21)*

# Contract Development & Manufacturing Organisations (CDMO)

## A Business Space of Rapid Growth

The global pharmaceutical CDMO market was valued at $160.12 billion in 2020 as compared to $148.5 billion in 2019.

It is expected to reach $236.61 billion by 2026, registering 6.5% CAGR during 2020-26. The CDMO service sector has gained a specifically uniquely edge to address some of the challenges that drug developers are facing amid the COVID-19 pandemic. This pandemic has impacted multiple aspects of the pharma and biopharma industry, from drug development, clinical trials, supplies, manufacturing to supply chain logistics. However, the drug shortages due to COVID-19 are limited, and they are expected to remain so for short-term, due to stockpiles of pharmaceuticals, APIs, globally.

CDMO is advantageous and gaining popularity on account of growing demand for novel medicines and biologics, capital-intensive nature of R&D and pharmaceutical manufacturing facilities, and the complex regulatory requirements for setting up manufacturing facilities. These difficulties and cost burdens have led many pharmaceutical companies to prefer potential profitability in contracting with a CDMO for both clinical and commercial stage manufacturing. The biggest factor driving the growth of CDMOs is the growing need for state-of-the-art processes and production technologies, which have proven highly effective in meeting regulatory requirements.

Several small-scale pharmaceutical companies have outsourced R&D to CDMOs on account of research services made available at price point that prove to be more profitable than in-house pharmaceutical R&D departments. CDMOs also follow several strategies to stay ahead of top pharmaceutical players.

## Key trends

- Growing investments by several pharmaceutical and biopharmaceutical drug manufacturing companies are driving growth of the CDMO market
- Among dosage forms, sterile liquids are witnessing strongest growth in outsourcing of development and manufacturing activities
- US is the world's largest market for drugs, and accounts for almost half of the R&D spending in the pharmaceutical and biotechnology markets. CDMOs play a critical role in this market and have invested in new facilities and technologies to cater to a wide range of outsourcing units. US is the primary hub for pharmaceutical development outsourcing due to large amounts of available funding and unparalleled presence of university-affiliated pharmaceutical research clusters
- In the global CDMO market, Asia-Pacific is expected to witness the highest growth owing to the low cost as compared to other developed economies. Growing incidences of chronic and lifestyle diseases, such as diabetes and heart disease, coupled with ease of patient recruitment and availability of expertise for clinical trials, are few other driving factors
- With the increasing privatisation of clinical trials, there has been an increase in the outsourcing of research processes in developing regions like China and India. For instance, large pharmaceutical companies in these markets are increasingly outsourcing research services, such as Clinical Data Management, Pharmacovigilance, Biostatistics, etc.

*(Source: https://www.mordorintelligence.com/industry-reports/pharmaceutical-contract-development-and-manufacturing-organization-cdmo-market)*

## Opportunities for CDMOs

- Larger companies view CDMOs as vital partners and build strategic integrated long-term partnerships
- CDMOs can receive co-investments from firms finance specialised development and manufacturing facilities at strategic CDMOs
- CDMOs using advanced technology and specialised expertise create a niche given the increasing number of complex and high potency compounds
- They can capture projects at an early stage and profit from upselling opportunities
- CDMOs engaging in continuous manufacturing benefit in the form of increased operational efficiency, reduced costs and minimal wastages
- Increased number of small and medium sized pharmaceutical companies with no manufacturing capacity responsible for increasing share of new drug approvals

*(Source: https://www.pwc.de/de/gesundheitswesen-und-pharma/studie-pharma-cdmo-market.pdf)*

## Business Operations

Neuland Laboratories Limited (Neuland or the Company) established in 1984, is a market leader in manufacturing APIs and one-stop solution for the chemistry needs of the pharmaceutical industry. Its two main business verticals are Generic Drug Substances (GDS) and Custom Manufacturing Solutions (CMS). Neuland has a presence in over 80 countries with more than 75% of our revenues accounted for by exports. The US and Europe are its key markets, accounting for 70% of total exports. The Company has filed over 898 Drug Master Files (DMFs). The Company boasts of three state-of-the-art US FDA and EU GMP compliant manufacturing facilities with a collective capacity of around 860 KL. In addition, it has a dedicated state-of-the-art 3,400 square metres R&D centre, located near Hyderabad, which had been inspected by US FDA in February 2016, without any observations.

Neuland has been at the forefront of facilitating and accelerating drug development and cGMP manufacturing of APIs. The Company's technical and scientific teams, of over 1,400 members including 299 strong R&D teams, provide comprehensive solutions and services to the global pharmaceutical industry. The Company is capable of providing solutions across the full range of the pharmaceutical industry's chemistry requirements, from the synthesis of library compounds to supplying NCEs and advanced intermediates at various stages in the clinical life-cycle, as well as commercial supply as has been the case through its history.

# Financial Performance

## Statement of Profit & Loss

Neuland witnessed robust performance during the fiscal despite challenging conditions in the aftermath of the COVID-19 outbreak. The resilience and the commitment to rise to the occasion enabled the Company to execute as per plans. Strong financial performance and operating leverage led to significant margin improvement. While headwinds from the second and third waves of COVID-19 persist, the Company remains committed to long-term growth and expects differentiated focus on complex APIs and the CMS business to drive sustainable growth.

The Company clocked revenue growth of 24.3% from ₹ 766.6 crores to ₹ 953.01 crores. EBIDTA grew 54.3% from ₹ 105.3 crores to ₹ 162.5 crores. Profit after tax grew 4x from ₹ 15.9 crores to ₹ 80.3 crores.

**Statement of profit and loss**

| ₹ Crores | 2020-21 | 2019-20 |
|---|---|---|
| **Income** | 953.0 | 766.6 |
| **EBITDA** | 162.5 | 105.3 |
| **Finance cost** | 17.9 | 21.6 |
| **Profit before tax** | 105.0 | 52.5 |
| **Profit after tax** | 80.3 | 15.9 |
| **Earnings per share (₹)** | 62.6 | 12.4 |

# Rationale for growth

### 01 Net Debt Tangible Net Worth Ratio

Debt Equity Ratio decreased by **39.7%** from **0.50** (FY 2020) to **0.30** (FY 2021) on account of increase in net worth and decrease in borrowings.

### 02 Current Ratio

Current Ratio increased by **3.4%** from **1.44** (FY 2020) to **1.47** (FY 2021) on account of increase in inventories, receivables and decrease in working capital borrowings partially offset by increase in payables, other financial liabilities and current liabilities.

### 03 Debtors Turnover Ratio

Debtors Turnover Ratio increased by **8.5%** from **4.04** (FY 2020) to **4.38** (FY 2021). Increase in Revenue by ₹ **186.4** crores and Trade Receivables from ₹ **189.9** crores to ₹ **217.7** crores - higher proportion of increase in revenue as compared to the proportion of increase in receivables on account of better receivables management.

### 04 Inventory Turnover Ratio

Inventory Turnover Ratio is **3.85** (FY 2021) versus **3.49** (FY 2020). Higher proportion of increase in revenue as compared to the proportion of increase in inventories on account of better inventory management.

### 05 Net Profit Margin (%)

Net Profit Margin for FY 2021 is **8.4%** (₹ 80.3 crores) versus **2.1%** in FY 2020 (₹ 15.9 crores).

### 06 Operating Profit (EBIT) Margin (%)

Operating Profit Margin increased by **33%** from **9.7%** in FY 2020 (₹ 74.1 crores) to **12.9%** in FY 2021 (₹ 122.9 crores). Improved product mix aided increase in operating profit.

### 07 Interest Coverage Ratio

Increased by **124.09%** from **5.4** in FY 2020 to **12.2** in FY 2021 on account of improved operating profits supported by lower borrowing cost.

# Revenue Vertical – 1

## Generic Drug Substances (GDS)

Since inception, the Company's core business and operational expertise has been as a service provider in the manufacturing of Generic Drug Substances. This pure-play API manufacturer for better management separated the GDS business into two segments – prime APIs comprising large volume, mature products and specialty APIs which are lower volume, complex APIs with less competition. The Company has to its credit a product portfolio of over 75 APIs across 10 therapeutic categories.

### Prime APIs

This is the primary revenue generating segment comprising of 15 mature APIs with higher competition.

The anti-bacterial agent, Ciprofloxacin, and anti-epileptic agent, Levetiracetam, are the key molecules. Other important molecules include Levofloxacin, Mirtazapine, Enalapril, Sotalol and Labetalol. The Company works on identified strategic molecules with a business leadership approach. The strong position in this vertical is attributed to over three decades of fulfilling quality commitment with uninterrupted supply. The Company aims to maintain its leadership position in key molecules by investing in lifecycle management initiatives. The endeavour remains to optimise process to achieve better yields, productivity and margins.

### Specialty APIs

This is the profit driving segment comprising high value complex molecules.

The team strives to work with leading companies helping them meet their technical requirements while being competitive and manufacturing consistent quality products. The team focuses on developing molecules that allow it to leverage its areas of strength such as processes involving chiral chemistry, hydrogenation, and inhalation products. Of the 20 odd molecules in the segment, some continue to enjoy patent protection which are supplied for validation batches and regulatory filings. Brinzolamide, Dorzolamide, Deferasirox, Donepezil, Entacapone and Salmeterol are some of the important revenue generating molecules. The Company looks to focus on specialty APIs in the segment with complex chemistry and file IP for non-infringing processes.

## Competitive Advantage

**Robust product portfolio**

The strong foothold of the Company in the existing markets is attributable to its sizeable product basket which also provides ample growth opportunities to expand global presence in newer geographies.

**Strategic product mix**

The Company's product mix is a blend of high-volume and high-value products making it resilient to economic risks and providing ample growth opportunities, robust profits and steady cash flow.

**Strong brand equity**

The Company has a strong presence in highly regulated markets which has helped build a strong brand equity in terms of superior quality products. This enables the Company to command a premium for its products and expand reach in pharmerging markets.

**Future growth prospects in place**

In the coming decade, the Company has planned launch of over 18 new products in phases securing its future earnings and reflecting strong business continuity plans.

### In Retrospect: 2020-21

- The GDS business grew based on volumes and price increases of 3-4%
- In this segment, the growth in prime segment was driven by Levetiracetam and Mirtazapine while Dorzolamide and Deferasirox performed well in the specialty space. Both segments have contributed equally to the vertical revenues
- The Company is a market leader in several molecules and focused on gaining market share for other key products
- Three peptides, Linaclotide, Liraglutide and Semaglutide, are at various stages of development for the generic business

## Prospects

Since inception, GDS business has been of prime importance for the Company. The specialty segment is expected to drive profits and prime segment is expected to strengthen the vertical in the coming future with through patent expiry and increased genericisation over time. The Company is aiming to expand geographical footprint with its sizeable product basket in the prime segment while increasing reach in existing markets in the specialty segment.

Quality-led portfolio of this vertical is driving market penetration for both prime and specialty APIs. The Company is in the process of filing five DMFs in the current fiscal, which will strengthen the product portfolio and present new growth opportunities.

With progression of time, Unit III will be used for commissioning more blocks of important large volume molecules like Levetiracetam, to leverage economies of scale.

The Company  will continue to focus on serving quality conscious consumers and building a technologically advanced differentiated product pipeline.

# Revenue Vertical - 2

## Custom Manufacturing Services (CMS)

Catering to the needs of pharma and biotech companies, the Company has established its presence in CMS vertical, a high-risk, high-margin, relatively less crowded business opportunity. Based on its rich experience in research, the Company develops and delivers APIs and intermediates in small-scale clinical trial quantities and later commercial-scale requirements as a product moves through the clinical cycle. The Company also provides building blocks and cGMP manufacturing of APIs. The CMS business helps customers to deliver the products on time by providing a range of technology platforms and product services maximising the value opportunity.

Being one of the key CMS providers in India, the Company has been at the forefront of aiding and accelerating the drug substance development and manufacturing process. The Company has built a strong brand equity and is a partner to some of the world's leading pharmaceutical and biopharma companies. The Company's teams working at Hyderabad, New Jersey and Tokyo, offer integrated and versatile GMP manufacturing facilities capable of handling complex reactions. The Company enables its customers to expedite their discovery-to-market timelines backed by the experienced transfer of processes from small-scale through validation to commercial manufacturing.

**The two main revenue streams are:**

### I) R&D and Manufacturing of products in the Pipeline

The vertical is further split into two segments (a) R&D-related soft work and lab-scale work and (b) Manufacturing operations for molecules which are in the clinical pipeline. At times, the innovator drops the molecule from its new chemical entity pipeline for various reasons, and so even post successful completion of a project, there is no assurance to be awarded with repeat work. However, the Company earns credibility of being a capable and dependable partner in the innovation journey, in the global innovator community.

### II) Commercial Manufacturing

This stable revenue stream encompasses manufacturing of intermediates/ APIs for commercial novel molecules (covered under patent protection). The Competition is limited as the Company is likely to be the sole or one of the few approved suppliers. As the approved formulation gathers global acceptance, API/intermediate volume increases.

Large part of revenue from this vertical is accrued from regulated markets and is lumpy in nature as most projects are still in the clinical part of the lifecycle. The Company is now winning larger number of late-stage projects, having a greater propensity to transform into commercial manufacturing contracts. As these projects have a long-term revenue visibility, they provide a stable growth platform and steady flow of revenue in the near future.

## Competitive Advantage

### 1) Collaboration and Communication

The Company possesses unmatched collaboration and communication skills enabling it to provide better customer experience than vanilla custom synthesis. Such value addition is needed by the small to mid-sized innovator companies and biotech organisations in regulated markets. These players are largely virtual, requiring additional assistance from their innovation partners to address business related challenges and issues, in addition to expertise in custom synthesis.

### 2) Power of Focus

The Company is a pure-play API company, as opposed to its competitors who have a presence in multiple pharma segments. Neuland is thus able to provide undivided focus to the CMS projects at hand depicting a strong customer-centric approach.

### 3) Prioritising projects

The Company undertakes a well-defined due diligence exercise of project screening to ensure the project needs to match with Company's skill capabilities. This allows the Company to provide effective and meaningful service to innovator companies.

## In Retrospect: FY 2021

- The vertical clocked revenue of ₹269 crores in FY 2021 as against ₹189 crores in FY 2020, registering 42% growth
- The number of projects increased from 76 as on March 31, 2020, to 78 as on March 31, 2021
- US is the largest market for CMS vertical, followed by Europe and Japan
- Baseline projects in CMS continued to perform well with good progress seen from some of the projects under development which are expected to commercialise over the short to midterm
- Inflow of late-stage projects, having potential to boost revenue in the next fiscal, increased significantly during the year under review
- The Company has a few peptides under development in the CMS portfolio

## Prospects

There has been a steady rise in execution of the number of CMS projects reflecting the trust of existing customers as well as recognition of the Company's capabilities by new customers. The strong pipeline of CMS projects - currently 78 active projects with 24 in late-stage development, and the continued emphasis on targeting molecules in the later stages of the clinical cycle, position the Company well to grow revenue in the coming years.

## Peptides: A flanking capability

Neuland has a few projects in the peptide space. Some of these are at an advanced stage of development and show considerable promise for commercialisation.

# Human Capital

The Company believes that human resources are the most critical element responsible for its growth. It ensures a safe, conducive and productive work environment across its facilities. The Company provides regular skill and personnel development training to enhance employee productivity. Employee-centric approach has enabled the Company to sail through smoothly amidst COVID-19 pandemic.

## Talent Acquisition

Taking advantage of the National Apprentice Promotion Scheme introduced by the Government, the Company successfully on-boarded apprentices in partnership with the Life Sciences Skill Development Council, creating a strong pipeline for shop floor operations. In addition, the Company has launched a fixed term employee contract scheme. These schemes are expected to generate rural employment, target skill building and de-risk shop floor level attrition. The Company also introduced buddy programme to improve early integration of new recruits.

For the senior level hiring, the Company is looking at skilled experts having international experience. The Company has launched behavioural-based panel interviewing to screen incoming leadership talent, complementing the regular one-on-one interview process and 30-60-90-day integration strategy to ensure smooth integration of senior leaders.

## Talent Management

The Company's top talent programme encompassed engagement, recognition, retention and development to keep top talent motivated and excited. The HR policies are directed to striving to deepen and strengthen leadership pipeline in terms of success and readiness. The Company is focused on developing the functional, leadership, and technical skills of distributed leaders required to execute on strategic priorities.

## Learning & Development

The Company remained laser-focused on building a learning organisation. The learning and development programmes are designed around the short and long-term goals of the organisation while meeting individual needs. High business-metric impact programmes were initiated like reduction of human errors in HPLC, reduced documentation and errors in production. Multiple online learning initiatives were launched during the year for upskilling and to ensure employee connect. The entire compliance training was moved online through Microsoft Teams.

## Employee Experience

Success Factors is the employee platform for all people processes. The Company also offered six sigma project management to employees as part of online learning. To ensure remote connectivity keeping in view limitations on account of COVID-19 pandemic, the Company initiated recreational activities like quiz, kid's fancy dress competition, singing, etc. and corporate engagement activities like weekly leadership webinars. Mobile application helped employees for leave approvals, attendance and leave management.

The Company introduced medical insurance coverage on group policy basis for COVID hospitalisation also covering parents. The Company also provided vitamin C and D supplements, pulse oximeters etc. to safeguard employees' health and wellness.

## Culture of Feedback & Distributed Leadership

To encourage workforce feedback and to assess employee loyalty, feedback after meetings and niche theme-based engagement surveys were conducted. HR held awareness sessions, especially for the new recruits, on meeting culture, conversation and feedback and for all employees in general on COVID safety.

## Research & Development

R&D is considered a critical business driver as it enables expansion of product pipeline, modernising technologies, increasing efficiencies and regulatory filings. The Company works in areas that demand extensive research, development and analytical capabilities to secure future growth in earnings.

The R&D innovation centre at Bonthapally houses a 300-member strong team of research scientists working together to develop and deliver future growth engines. The Company has further strengthened the team by recruiting competent resources specialised in certain key areas like peptides, catalysis, chiral synthesis and process engineering. This Department of Scientific and Industrial Research (DSIR)-approved facility houses 12 chemical development laboratories and analytical laboratories equipped with modern instruments.

The team focuses its energies on certain specific areas for maximising returns from its patient and passionate efforts such as:

- Non-infringing patentable processes for APIs across therapeutic categories
- Enhanced lifecycle of mature products by making their processes more efficient and cost effective
- Peptide APIs for the GDS and CMS business
- Customer specific and exclusive contract research and process development for manufacturing APIs
- Intellectual property and international regulatory filings

## Key Initiatives of FY 2021

The key achievement of the R&D team was strengthening the product pipeline by adding new molecules and making mature products more robust.

### Product Pipeline

The team developed a few molecules in the lab and filed 2 USDMFs during the year and is ready to file a further 5 DMFs. The team managed to successfully add sterile EPA portfolio to the basket.

### Product Life Cycle Management

The team is working on cost management and market penetration through cost effective products. The focus also remains on the processes for products to make its spread competitive and enhance product life cycle. The team managed to significantly reduce dependency on China and will continue to embark self-reliant journey.

### Infrastructure and Capacity

The Company added a new peptide lab with 7 fume hoods. The additional specialty lab has been created from the existing wet lab creating more space and accommodating more resources and equipment at R&D.

A non-GMP kilo lab has been commissioned at Unit-III which is exclusively for R&D to take up pilot scale reactions and other non-GMP intermediates. New analytical validation lab is being commissioned at Unit-III for R&D.

### Investment

The Company is focused to modernise its equipment and software to solve challenges like handling nano size particles, measuring online, etc. The Company added several high-end sensitive equipment to further improve process efficiency like optical microscope, Corona Aerosol Detector (CAD), PSD analyser, DVS for hygroscopicity study, AMV facility to Unit III, Radley poly block reactors, triple walled reactors with heating cooling systems, polarising microscope, HPLCs, and many analytical machines to assess particle polymorphism. Instruments like ICPMS for metal detection at nano level, XRPD, LCMS, auto-samplers for GC, 3D image instrument, coulometer have been added to AR&D. Instruments like Parallel port reactors, heating cooling systems and double jacketed reactors for performing QbD/DoE studies are added to R&D labs. Equipment like FBRM, aerosol detector, particle size analyser, portable dehumidifiers are added to process engineering and safety lab.

### Project Efficiency

The team worked on modernising the EPA including the particle shape, size, safety studies and the ability to run the QED equipment which enables automated measuring etc. The IT enables to generate data and record online as analytical instruments were mapped on the online server. The Company also enhanced the review process with every document going through review process of analytical method transfer.

### Increasing breadth of Technology

The Company brought on board new technologies like imperative profiling, mapping of the ability or the genome toxic impurity assessment capabilities to predict, synthesised, develop an analytical tool, which can measure in the ppm level. The Company has SAP and other enabling tools for managing inventory and raw materials.

### Priorities

The team remains committed to develop high value molecules involving complex chemistry. It is investing heavily to automate further moving to high end equipment enabling more refined testing abilities like online monitoring and testing of particle size. The Company is working towards digitisation in the R&D facility. The Company remains committed to building deep competency in complementary new technologies. These will pave the path to provide differentiated offerings which are highly valued by target customers.

## Supply Chain Management

FY 2020 was a defining year in terms of supply chain management (SCM) as the Company significantly reduced its dependency on China for sourcing Key Starting Materials (KSM) and intermediates for most APIs. This was extremely important as 80% of the Company's production serves the regulated markets abroad.

### Key Initiatives of FY 2020-21

Agility and timely decission-making from top management enabled the Company to freight out finished goods though at a slightly higher cost in the last week of March 2020 and early April 2020. This benefited all stakeholders concerned.

The Company faced several challenges in April and May months as well due to shortage of manpower, limited supply of raw material, and logistics of finished goods. Despite having the status of essential industry, the Company faced a plethora of challenges in these two months leading to significant increase in freight costs.

Post June when exports from China resumed, there were some initial hiccups in terms of timing of deliveries. The Company was able to effectively manage these issues with the help of trackers and advanced inventory planning.

The Company continues its efforts to reduce its dependency on China and has seen good traction in reducing Chinese imports to ~20% during FY 2020-21 as compared to over 40% two years ago. The Company is actively looking out for suppliers in close proximity preferably India or Southeast Asian countries. The Company mapped majority of its key suppliers in terms of their compliance to ISO 14001, ISO 9001, OSHAS 18001.

With many of its customers emphasising on sustainability and ESG in supply chain, the Company is trying to emphasise the importance of sustainability to all supply chain partners.

The Company commenced work on two digitalization initiatives to launch Supplier Portal and e-logistic platform, one being P2P Procure2Pay and second being GOComet e-logistics platform. The Company is taking lead in completely digitalising its supply chain management having achieved success in automating price discovery, getting offers awards, tracking shipments and invoice printing.

### Priorities

The main focus remains to reduce direct sourcing dependency from China. The aim is to reduce imports to below 10% levels in the coming fiscal and less than 5% in the succeeding year. The Company also aims to introduce massive digitalisation in supply chain making the entire purchasing process non-physical. For this, the Company has a b2b procure to pay software being developed. The process has been accelerated substantially from the outbound logistics side and into the inbound procurement side.

The Supply Chain team is assessing this indirect dependence separately and seeks to reduce this for their inputs over the coming years. From a longer-term strategic perspective, the Company is seeking to shorten the supply chain, by developing sources which are closer in terms of geographic proximity.

Other priorities include powering up capacities using CMO model and supply chain mapping and pathways. The Company is looking to deeply mapping all its supplies and understand all touch points to better gauge vulnerabilities or dependencies. The Company remains committed to enhancing procurement effectiveness and efficiency. It is working on optimising manufacturing capacity for agility, including flexible response to consumer needs, multi-product production and reserve capacity to respond quickly to customer needs.

## Quality Assurance & Control

Neuland believes in meeting or exceeding the quality levels set by the customer by adhering to stringent international standards. Continuous improvement of products and process and commitment to quality has led to enhanced attention to detail. Quality management framework and practices ensure that every single product meets the specification of all pharmacopoeia and our customer requirements. Our team has a clear understanding of the possible direction of regulations and standards so that we are implementing policy ahead of legislation. The Company has cleared over 35 regulatory authority inspections, including 15 FDA audits over the years.

### Key Initiatives of FY 2021

The Company continued to invest in quality control and upgrade its product and process quality during the year under review.

1) Post successful implementation of QAMS (Quality assurance Management System) to effectively manage deviation management, customer complaints, CAPA and change controls, automation of Laboratory Information and Management System (LIMS) is under progress.

2) It is working with the USFDA to expedite the inspection and the approval of products for commercial use in the market from Unit III.

3) It invested in the development of a wet laboratory at Unit I. Also significant investment was made in software at Unit I and Unit II. At Unit III, we created a stability chambers lab and control samples storage area. Additionally, the Company spent significant sums in purchasing new instruments across the units.

### Priorities

- Round the clock 24x7 GMP compliances across the sites and all-time inspection readiness
- Achieve First Time Right through robust technology transfers
- Closing of failure investigations with Adequate Root causes with scientific rational
- Enhance QC efficiency by meeting aggressive TAT (Turn Around Time) for analysis, reduction of errors (Lab OOS & Lab incidents)
- Strengthening of Quality Units with Quality of Manpower
- Scale people capabilities to meeting rising expectations from CMS customers

# Information Technology

Neuland has become a more cohesive and closely connected organisation aided by efficient use of Information Technology (IT), despite its vast international footprint. IT has evolved into a business enabler function. In FY 2021, IT gained tremendous popularity as work-from-home became the new normal of corporate functioning. The Company further strengthened its digitisation initiatives, IT infrastructure, upgraded business enterprise applications and made significant investments in information security as work-from-home became commonplace.

## IT Infrastructure

Comprehensive IT audit was made possible by the digitisation of manual processes and enterprise apps integration, which captured the data efficiently. IT team strengthened its BCP/ DR plan by deploying highly available converged infrastructure in its data centres in a private cloud and embracing comprehensive back-up solutions. Calibre solution was deployed to automate the process of Quality Assurance function in the Phase I. Complete virtualisation (moving application and data from physical servers onto a private cloud) of Units I and II and the R&D department was also achieved. To maximise network uptime, IT team deployed SDWAN (Software Defined Wide Area Network) enabling the users to remains connected to their applications despite a link failure.

## Enterprise Application

The internal portal 'Basecamp' witnessed addition of new modules to improve business/process management and enable informed decision-making. 'Track EHS' application allows team members to report EHS violations across locations. Modules like Capex Management Tool, Leave and Attendance Management system (including mobile app), Meeting Organizer and an Insider Trading and Contract Management system enhanced digitalisation of processes. Various features of SAP modules were configured to strengthen business process. The SAP Fiori Application, allowing the senior management team to approve critical transactions on the move proved to be extremely useful amidst COVID-19 pandemic restricted movements.

## Data Security

Data security has been strengthened by using comprehensive Data Leak Prevention (DLP) System and Information Rights Management (IRM) solutions, which prohibits sharing of digital information by unauthorised users. Neuland is consistently certified for its Information Security Management Systems as per ISO 270001:2013 std. and guidelines and compliant with EU-GDPR.

## Priorities

The Company continued to exploit technology to become more agile, protect its intellectual property better, increase employee engagement, and customer service towards Digital Transformation journey. It is working on digitising planning to delivery processes, financial processes, customer serving processes and build company-wide dashboard providing shared, real-time, granular data and analytics to create shared context across functions. This will enable to improve the quality and speed of decision-making at every level in the organisation.

# Environment, Health & Safety (EHS)

Environment, Health & Safety (EHS) is a critical part of organisational culture. The Company has always given utmost priority to EHS of all its stakeholders. For all strategic decisions implemented, go ahead from EHS has been mandatory.

The guidelines on Occupational Health & Safety have been upgraded to IS0 45001 standards from OHSAS 18001, in addition to ISO 14001 (Environment Management Systems).

## Environmental Management

The Board has adopted the Environmental Policy and formalised its green commitments with a framework articulating the Company's approach to environmental management. Special focus is given to ensure pollution control right at the source. The Company has made significant investments in green infra and advanced pollution control equipment for solid and gaseous waste management. All the three manufacturing facilities have adopted the 'Zero Waste Water Discharge' concept and it has been ensured that all operating processes are limited to closed environments.

Sustainable environment management systems centre on 'Wealth from waste' concept aimed at minimising wastage of natural resources and curtail waste disposal to incineration. Working towards achieving 0% incineration of waste, the Company sent its complete spent solvent and other materials waste to cement manufacturers, who use co-processing technology to convert this waste to an auxiliary fuel.

The Company achieved a recovery rate of 80-85% in FY 2021, at its operating units, through sophisticated solvent recovery systems. A wastewater treatment plant with higher capacity came on stream, which enables efficient management of any additional load on the effluent system which may be generated from a surge in operations. The Company continued to encourage local population around its operating units to plant trees so as to strengthen the green cover. Over 6,000 trees were planted in five villages. In addition, to help in systematic waste collection and improve community hygiene, the Company distributed over 10,000 waste bins among the villagers.

## Process Safety

At Neuland, we had stringent standards for Process Safety Assessment at all levels of volumes which includes R&D, Pilot and Plant, by which we ensure the safe travel of molecules from R&D to commercial.

a. **R&D:** Chemical Hazard Evaluation, Toxicology Data, Thermal Screening

b. **Pilot:** Process Safety Data Interpretation, Inventory Hazard Management, Powder Safety Analysis, Process Hazard Analysis

c. **Plant:** Scale-up Safety Assessment, Equipment Design Assessment, Pre Start-up Safety Review, HazOp.

## People Health & Safety

Human capital is the key resource for profitable growth of the Company. Employee's health and safety is given great importance. To analyse, assess and mitigate risks impacting employees the Company has devised an elaborate structure. Automation of critical processes on the shop floor and real-time monitoring of the ambient environment in confined areas were undertaken to enhance the safety of the concerned employees. To ensure employee safety at every step, the Company has specific protocols which are meticulously recorded to ensure strict enforcement.

EHS Track software, accessible to all employees, enables the Company to effect online reporting and tracking of incident management and near-miss reporting. All warehouses have automatic fire and smoke detection systems to ensure utmost safety of these areas which are not manned round the clock.

To promote a culture of preventive health management, the Company undertakes several initiatives like mandatory annual health check-up camp and various programmes for stress management, cardiac management, diabetes management and kidney management conducted by experts. Women's health management classes were also conducted by expert gynaecologists.

All operating units of the Company have a well-equipped occupational health centre and ambulance facility. For efficient emergency management, the Company has tied up with several multi-specialty hospitals and diagnostic facilities close to its locations.

## Internal Control & Audit

The internal control systems of the Company are designed to safeguard the assets and ensure efficient productivity at all levels. The systems are adequate for the size and nature of business and industry in which it operates. The robust control systems safeguard sensitive data, ease out audit process, enables maintenance of proper accounting controls, monitoring of operations and conservation of assets and enable prevention of frauds and errors. The control systems are designed keeping in mind all applicable rules and regulations to execute authorised transactions safeguarding the assets from unauthorised use and ensuring compliance with corporate policies.

The systems clearly demarcate limits for approving contracts and expenditure with empowered authority only. The systems also define processes to articulate annual and long-term business plans and periodic review. The effectiveness of the internal control over financial reporting (as defined in Clause 17 of SEBI Regulations 2015) was assessed by the management as of March 31, 2021. The audit committee evaluated internal financial controls (as defined in section 177 of Companies Act 2013 and Clause 18 of SEBI Regulations 2015), as on March 31, 2021, and concluded the systems to be appropriate and operating effectively.

The financial statements included in this annual report have been audited by MSKA & Associates, the statutory auditors of the Company who have issued an attestation report on our internal control over financial reporting (as defined in section 143 of Companies Act 2013).

The responsibility to oversee and carry out internal audit of the Company's activities is with Ernst & Young LLP, our internal auditors. Annually, in consultation with the Auditors and post approval by the Audit committee, the audit plan is defined which spells out the audit process. The internal audit is directed towards the review of internal controls and risks in the Company's operations such as manufacturing, R&D, supply chain management, accounting and finance, IT processes, EHS following international practice rules.

Specialised third party consultants and professionals are appointed to periodically audit business specific compliances such as quality management, production management, information security, etc. The management reports and audit reports submitted by internal auditors and statutory auditors are reviewed by the audit committee, which also suggests improvements. Appropriate corrective actions, as deemed necessary to ensure sustainability and future growth prospects of the Company, are put forth by the audit committee. The adequacy of internal control systems are discussed and reviewed by the audit committee and the statutory auditors. Major observations from this meeting are discussed with the board of directors periodically.

As of March 31, 2021, the Audit Committee has concluded that Company's internal financial controls were adequate and operating effectively, based on its evaluation (as defined in section 177 of Companies Act 2013 and Clause 18 of SEBI Regulations 2015).

## Risk Management

The employment of an effective risk management process is critical to Neuland achieving its strategic and operational goals, particularly in the current environment of change and uncertainty. We recognise that risk is intrinsic to the business and that there is a balance to be struck between managing risk and exploiting opportunities. Our robust risk management framework is designed to identify, evaluate and appropriately respond to the existing and emerging risks to business. A few of the important risks are enlisted below along with steps for mitigation. The list is strictly indicative and not exhaustive. The framework addresses the specific responsibilities and accountabilities of the various managers at different levels. Risks are duly identified and categorised as per their likely impact with the help of a formal monitoring process at the unit and company level. Post initial assessment key responsibilities are handed down to select managers, and implementation of risk reduction actions and appropriate internal controls is ensured.

### Competition Risk:
### Impact on business revenue and earnings

**Relevance:**

Earnings of the prime segment of the GDS vertical with intense competition and a mature product portfolio.

**Mitigation Strategy:**

The Company's mitigation strategy includes:

- Dynamic life-cycle management for all Prime products to continue to expand market share while retaining the existing customer base
- Target larger volumes for a specific molecule by expanding geographical footprint and attract new customers
- Increased emphasis on the Specialty segment and CMS vertical growth, to improve earnings

### Supply Chain Risk:
### Production disruption hampering client base

**Relevance:**

The dependence on China for imports mainly in API manufacturing, for raw materials, ingredients and APIs.

**Mitigation Strategy:**

- Since past several years, the Company is meticulously working to derisk a significant part of its supply chain and bring it closer to home
- Close co-ordination with sales and R&D teams for raw material planning and availability
- Earlier ~60% of raw materials were coming from China, whereas from June 2021 less than 10% of raw materials will be imported from China
- We are not dependent on China for any raw material, but import to remain competitive
- For KSM and critical intermediaries, we are working to create two or more active and dependable sources
- Focus on in-house manufacture of some of the intermediates at Unit III

### Intellectual Capital Risk:
### Key to R&D and operations

**Relevance:**

Human capital is key to the growth and prosperity of the pharmaceutical industry.

**Mitigation Strategy:**

Mindful of the importance of intellectual capital, HR policies are designed to ensure sufficient bench at all times:

- Internal progression of employees well suited to assume greater work responsibilities with apt training and skill development programmes
- Ensure suitable talent at the middle and senior management levels from within the organisation or outside
- Ensure high retention rate through open door policy, healthy work environment, job rotation and other initiatives to provide stronger career path
- Position a stronger Neuland brand to attract talent from abroad/ multinationals/post-doctoral/chemical engineering cadre
- Acquire external talent/leadership pipeline where internal bench may be slightly weak

### Regulatory Risk:
### Non-compliance a Threat to Operations

**Relevance:**

High exposure of regulated markets for the Company's revenue.

**Mitigation Strategy:**

The Company constantly strives to up its ante in terms of safety, health and hygiene more than ever in the current scenario, while already having successfully secured multiple approvals by various global regulatory bodies.

- Enhance efficiency and accuracy, the Company is increasingly investing in automation of its quality management system and has strengthened monitoring of metrics through QA Dashboard
- Promote high standards of regulatory compliance across all operating units 24x7
- Efficient redressal of customer complaints through a well devised structure ensuring non-recurrence
- Stringent internal monitoring and review mechanism with exceptions directly communicated to CEO / Quality Head
- Initiation of quality focused audits by external party

**Product Scaling Risk:**
Impacting growth prospects

**Relevance:**

To improve business growth prospects, healthy product pipeline is to be scaled to the operating units continuously.

**Mitigation Strategy:**

Seamless scalability of products from R&D to manufacturing unit is of utmost importance to bank on growth opportunity. Any product scaling glitch may cost the Company an existing or a new customer. The Company emphasises on the 'First Time Right' concept enlisting a detailed checklist to ensure that every aspect of the process is followed resulting in unified product transfer.

**Data Security Risk:**
New-age risk to damage credibility

**Relevance:**

IT solutions have gained unparalleled importance for integrated business operations

**Mitigation Strategy:**

Business automation and integration is carried out efficiently, ensuring sufficient security measures to safeguard IT infrastructure and systems:

- Data Leak Prevention System alarming sensitive data access from any system
- Data Leak Prevention System checking leakage through emails in the backdrop of increased work-from-home
- Device Advanced End Point Security solution
- Integrated check on all IT infrastructure through a single dashboard like Security Incident and Event Monitoring Solution

**R&D Infrastructure Risk:**
Adequate space to handle growing business

**Relevance:**

Growing business and complexities require more R&D space.

**Mitigation Strategy:**

The Company is constantly identifying space for increasing the number of chemical and AD labs to handle growing business demand. Also proactive identification and upgradation of equipment ensures adequate handling of product complexities such as in the field of APIs solid state, enzymatic, peptide and polymorph chemistry.

**Geopolitical Risk:**
Trade wars disrupts business

**Relevance:**

Businesses across the globe faced several hardships amidst the COVID-19 pandemic, the consequent lockdowns and disruption of human life.

**Mitigation Strategy:**

The Company is always striving to expand its geographical footprint to minimise impact of macroeconomic slowdown in a particular region. The Company is looking to increase market penetration in geographies which are currently under-represented and shorten its supply chain.

**Unforeseen Risk:**
Cause deviations from Plans and Strategies

**Relevance:**

Businesses across the globe faced several hardships amidst the COVID-19 pandemic, the consequent lockdowns and disruption of human life.

**Mitigation Strategy:**

The Company's risk management team needs to be agile and equipped to deal with any unforeseen risks. The Company must be prepared to respond to fast-changing consumer behaviours and demand patterns with changing environment. Implementation of agile practices and operating models enables organisations to solve specific problems quickly and efficiently. Different situations may require reconfiguring strategy, structure, processes, people, and/or technology. The Company has exhibited agility in its operations to minimise the impact of unforeseen risks like the COVID-19 pandemic with prompt adaptation to changing work environment, rules and regulations and Government priorities.

To ensure smooth business functioning, the Company is actively working with alternate factories for raw material supplies and tracking re-opening schedules, clubbing shipments, closing tracking and approving freight amounts, monitoring truck transit and arrival closely and actively pursuing FedEx/UPS/DHL movements based on freight quotes ensuring efficient supply chain management. Effective work from home measures are quickly put into place. The Company is committed to protect operations by proactively managing employees health, sanitation and safety at the workplace and outside under unpredicted emergencies. De-risking workforce dependency by leveraging full spectrum of options including apprentice, fixed term employment, remote working, part time workforce to ensure efficient people management.

## Prioritising employee safety and business continuity amidst pandemic

Since the beginning of the COVID-19 pandemic, Neuland had undertaken a slew of measures to not only ensure smooth functioning of all business operations but also to ensure utmost safety of all employees, site safety, supply chain management, regular flow of logistics, and cash management. As an entity being categorised under 'essential products and services', we had to ensure timely supplies to our pharmaceutical client base and keep up with the ever-evolving customer demand led by the lockdown and subdued economic activity in several of our end-markets.

**Neuland has been constantly thriving to overcome all challenges with employee safety being our topmost priority. We diligently implemented the guidelines specified by the State Government of Telangana as well as the National Directives for COVID-19 Management. We undertook several initiatives to ensure business continuity and employee safety including:**

- Remote working has been implemented for all employees whose roles allowed them work-from-home by enabling them with the required tools and technology
- To ensure safe transportation of employees during the peak of COVID-19 outbreak, special buses were organised running at less than 40% occupancy
- On a daily basis, all employees are required to fill up an e-self declaration form for health and safety management
- Touch less maintenance of attendance is being practised as opposed to biometric attendance recording previously
- At entry and exit, every individual is screened for temperature and deviation from normal is referred to Company Medical Officer for appropriate action
- Circular markings and limited seating arrangements help maintain social distance of 3 feet at all common places in the factory including entry gates and canteen
- COVID-appropriate behaviour is encouraged at all times and any employee showing any symptoms such as cold, cough, shortness of breath and fever is referred to Occupational Health Centre for medical screening and sent back home until they are medically fit
- Virtual meetings are encouraged keeping employee safety a priority. Any physical meeting are conducted with minimum separation of 6 feet. Large meetings are strictly prohibited
- All employees have been provided medical insurance coverage through third party or ESI
- Company Medical Officer has been made responsible to refer any employees needing urgent medical care for COVID -19 treatment to appointed Government facilities
- We now have a 24/7 helpline number that our employees can call to express any of their concerns with respect to COVID-19

**Neuland has emerged as a successful business entity amidst the challenging pandemic due to the concerted and efficient working of all our teams which ensured robust supply chain management, thorough understanding of evolving customer needs, process digitisation, prompt redeploying resources basis the production requirements, while keeping people safe at all times.**

# Directors' Report

The Board of Directors are pleased to present the Company's Thirty Seventh Annual Report and the Company's audited financial statements (standalone and consolidated) for the financial year ended March 31, 2021.

## Financial Performance

The Company's financial performance (standalone) for the year ended March 31, 2021, is summarised below:

(₹ in lakhs)

| Particulars | 2020-21 | 2019-20 |
|---|---|---|
| **Total Income** | **95,300.80** | **76,659.65** |
| **Profit before Finance Costs, Depreciation, Amortisation and Tax** | **16,253.81** | **10,534.35** |
| Finance costs | 1,789.75 | 2,157.14 |
| **Profit before Depreciation, Amortisation and Tax** | **14,464.06** | **8,377.21** |
| Less: Depreciation & Amortisation | 3,967.85 | 3,127.63 |
| **Profit before Tax** | **10,496.21** | **5,249.58** |
| Less: Current tax | 1,248.29 | - |
| Deferred tax | 1,218.43 | 3,661.57 |
| **Profit after Tax** | **8029.49** | **1,588.01** |
| Add: Other comprehensive income | (139.25) | (78.74) |
| **Total comprehensive income for the year** | **7890.24** | **1,509.27** |

For the financial year ended March 31, 2021, a Total Income of ₹ 95,300.80 lakhs as against ₹ 76,659.65 lakhs in the previous year.

For the year ended on March 31, 2021, the Company has reported Earnings Before Interest, Finance Cost, Depreciation & Amortization and Tax (EBIDTA) of ₹ 16,253.81 lakhs as against the EBIDTA of ₹ 10,534.35 lakhs during the previous year.

The Net Profit of the Company for the year 2020-21 was ₹ 7,890.24 lakhs compared to ₹ 1,509.27 lakhs during the previous year.

## Business Review

During the year under review, your Company continued to grow its top line with both business verticals of GDS (Generic Drug Substances) and CMS (Custom Manufacturing Solutions) contributing to performance. Significant progress was made in some of the key CMS projects that were added to the pipeline in the past eighteen months. In the GDS business, the development of generic peptide APIs is advancing at a steady pace. In a year marked by unprecedented challenges due to the pandemic, your Company's strong focus has been on ensuring operational continuity and meeting customer commitments as per timelines. The changed circumstances have also accentuated the management efforts towards planning for sustainable growth.

## Dividend

Your directors are pleased to recommend a final dividend of ₹ 3/-(30%) per equity share on face value of ₹ 10/- each of the Company, for the financial year 2020-21. The dividend, if approved at the 37th Annual General Meeting (AGM), will be paid to those members whose names appear on the register of members of the company as of end of the day on 7 July 2021.

The Board of Directors had earlier approved payment of an Interim Dividend of ₹ 2.00 per equity share (20% Interim Dividend) on the equity share capital of the Company for the financial year 2020-21, amounting to ₹ 2,56,59,778/- which was paid on November 27, 2020. The outflow on account of Dividend (including interim dividend paid) is estimated to be ₹ 6,41,49,445/-.

## DIVIDEND DISTRIBUTION POLICY

In accordance with Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, your Company has adopted a Dividend Distribution Policy formulated by the Board specifying the financial parameters, factors and circumstances to be considered in determining the distribution of dividend to shareholders and/or retaining profits earned by the Company. The policy aims to protect the interest of investors by ensuring transparency.

The Dividend Distribution Policy, in terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended, is available on the Company's website on www.neulandlabs.com.

## Share Capital

The equity shares of your Company continue to be listed and traded on the BSE Limited and National Stock Exchange of India Limited. The paid-up equity share capital of the Company as on March 31, 2021 is ₹ 1,290.05 lakhs. During the year under review, the Company has not issued any shares with differential voting rights nor granted stock options nor sweat equity.

## Outlook

Both business verticals of Generic Drug Substance (GDS) and Custom Manufacturing Solutions (CMS) will continue to be pivotal to the growth of your Company. Highest focus will be maintained on quality, technological excellence and transparent partnerships for deepening existing customer relationships as well as attracting new customers. With several steps being taken to strengthen the organisation internally and enhance customer focus, Neuland is confident of being one of the leading API companies not only in the GDS space, where it is a matured player, but also in the CMS space, where it is a relatively newer player.

## Consolidated Financial Statements

The Audited Consolidated Financial Statements of your Company as on March 31, 2021, which forms part of the Annual Report, have been prepared pursuant to the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, and also as per the applicable Indian Accounting Standard (IndAS) on Consolidated Financial Statements (IndAS-110) as notified by the Ministry of Corporate Affairs.

The annual accounts of the subsidiary companies are kept for inspection by any member at the Registered Office of the Company as well as at the Registered Office of the respective subsidiary companies and also available on the website of the Company, www.neulandlabs.com. Any member interested in a copy of the accounts of the subsidiaries may write to the Company Secretary at the Registered Office of the Company.

## Subsidiaries

Your Company has two subsidiaries, Neuland Laboratories K.K., Japan and Neuland Laboratories Inc. USA, working on market development. Your Company does not have any joint venture or associate companies. Further there has been no material change in the nature of business of the subsidiaries.

A report on the performance and financial position of the subsidiaries, set out in the prescribed form AOC-1 in terms of proviso to sub section (3) of Section 129 of the Companies Act, 2013, as amended from time to time, is provided as Annexure to the consolidated financial statements and hence not repeated here.

## Documents uploaded on the Website

The following documents are available on the website of the Company (www.neulandlabs.com) in compliance with Companies Act, 2013, as amended from time to time:

- Annual Return as per section 92
- Unpaid dividend including interim dividend details as per Section 124(2)
- Corporate Social Responsibility Policy as per Section 135(4)(a)
- Nomination and Remuneration policy as per Section 178 (3) and (4)
- Financial Statements of the Company and Consolidated Financial Statements along with relevant documents as per third proviso to section 136(1).
- Separate audited accounts in respect of subsidiaries as per fourth proviso to section 136(1)
- Details of vigil mechanism for directors and employees to report genuine concerns as per proviso to section 177(10)
- Policy on Material Subsidiaries
- The terms and conditions of appointment of independent directors as per Schedule VI to the Act.

## Corporate Governance Report, Management Discussion & Analysis and Other Information Required under the Companies Act, 2013 and Listing Agreement

As per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time Corporate Governance Report with Certificate from a Practicing Company Secretary thereon and Management Discussion and Analysis report are attached and form part of this report.

## Directors and Key Managerial Personnel

The changes taken place in the key managerial personnel during the financial year 2020-21 and as on the date of this report are as under:

| S.No. | Name | Appointment / Cessation | Designation | Date of appointment / cessation |
|---|---|---|---|---|
| 1 | Mr. Davuluri Saharsh Rao[1] | Appointment | Chief Financial Officer | August 4, 2020 |
| 2 | Mr. Davuluri Saharsh Rao | Cessation | Chief Financial Officer | September 24, 2020 |
| 3 | Mr. Deepak Gupta | Appointment | Chief Financial Officer | September 24, 2020 |

*[1] Mr.Davuluri Saharsh Rao was appointed as the interim Chief Financial Officer in addition to his role of Vice Chairman & Managing Director, with no change in the terms and conditions of his appointment.*

Dr. Christopher M. Cimarusti retires by rotation at the forthcoming 37th Annual General Meeting and being eligible, seeks re-appointment. The profile of Dr.Cimarusti is included in the Report on Corporate Governance and the Notice of the AGM.

Dr. Davuluri Rama Mohan Rao, Executive Chairman, Mr.Davuluri Sucheth Rao, Vice Chairman & Chief Executive Officer, Mr.Davuluri Saharsh Rao, Vice Chairman & Managing Director, Mr.Deepak Gupta, Chief Financial Officer, and Ms.Sarada Bhamidipati, Company Secretary & Compliance Officer, are the Key Managerial Personnel of the Company as on the date of this Report.

## Listing at Stock Exchanges

The equity shares of your Company continue to be listed and traded on the BSE Limited and National Stock Exchange of India Limited. The Annual Listing fee for the year 2021-22 has been paid to both the stock exchanges.

## Directors' Responsibility Statement-

Pursuant to Section 134(3)(c) of the Companies Act, 2013, as amended from time to time, your Directors confirm that to the best of their knowledge and belief and according to the information and explanation obtained by them:

a. in the preparation of the annual financial statements for the year ended March 31, 2021, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b. such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the profit of the Company for the year ended on that date;

c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, as amended from time to time, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. the annual financial statements have been prepared on a going concern basis;

e. proper internal financial controls were in place and that the financial controls were adequate and were operating effectively; and

f. systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

## Board Meetings

During the year under review, four Board Meetings and four Audit Committee Meetings were convened and held, the details of which are given in the Corporate Governance Report, which forms part of this report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

## Composition of various Committees

Details of various committees constituted by the Board as per the provisions of Companies Act, 2013, as amended from time to time, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, and their meetings are given in the Corporate Governance Report which forms part of this report.

## Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the annual evaluation of the performance of the Board, its Committees and of individual directors has been carried out by the Board. The process was carried out by circulating questionnaires on the Board and Committees functioning on certain parameters. The performance evaluation of the independent directors was carried out by the entire Board, except the director being evaluated. The performance evaluation of the non-Independent Directors including Executive Directors was carried out by the Independent Directors.

## Independent Directors

The Independent Directors met on February 1, 2021, without the presence of non-Independent Directors and members of the management. The Independent Directors discussed matters pertaining to the Company's affairs and reviewed the performance of non-Independent Directors, the Chairman and the Board as a whole, and assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence prescribed under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

## Disclosures by Directors

None of the Directors of your Company is disqualified as per provisions of Section 164(2) of the Companies Act, 2013, as amended from time to time. Your Directors have made necessary disclosures to this effect as required under Companies Act, 2013, as amended from time to time.

## Audit Committee

The composition of the Audit Committee and its terms of reference are included in the Report on Corporate Governance annexed. All the recommendations made by the Audit Committee were accepted by the Board of Directors.

## Nomination and Remuneration Committee

The details of the Nomination and Remuneration Committee are set out in the Report of Corporate Governance, forming part of this Report.

Your Company has a Nomination and Remuneration Policy as required under section 178 of the Companies Act, 2013, as amended from time to time, for selection and appointment of Directors, Key Managerial Personnel, Senior Management and their remuneration.

## Remuneration Policy

The Company has formulated a Nomination & Remuneration Policy which is available on the website of the Company at www.neulandlabs.com. Your Company's Policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under section 178(3) of the Act are covered in the policy.

## Corporate Social Responsibility

The Company has in place a Corporate Social Responsibility Policy which is available on the website of the Company at www.neulandlabs.com. Further, your Company has incurred an expenditure of 2.48% (₹88.02 lakhs) of the average net profit of the preceding three years on CSR projects/activities during FY 2020-21.

Annual report on CSR activities as required under Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 read with section 134(3) and 135(2) of the Companies Act, 2013, as amended from time to time, has been appended as Annexure-1 and forms an integral part of this Report.

## Business Responsibility Report

In accordance with regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Business Responsibility Report (BRR), is forming part of this report as Annexure-2 describing the detailed report on business responsibilities vis-à-vis the nine principles of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business framed by the Ministry of Corporate Affairs.

## Code of Conduct for Board of Directors and Senior Management Personnel

The Directors and members of Senior Management have affirmed compliance with the Code of Conduct for Board of Directors and Senior Management Personnel of the Company. A declaration to this effect has been signed by the Executive Chairman and forms part of the Annual Report.

## Vigil Mechanism/ Whistle Blower Policy

Your Company has a Vigil Mechanism / Whistle Blower Policy which serves as a mechanism for its Directors and employees to report genuine concerns about unethical behaviour, actual or suspected fraud or violation of the Code of Conduct without fear of reprisal. The policy also provides access to the Chairperson of the Audit Committee under certain circumstances. The Whistle Blower Policy is available on the website of the Company, www.neulandlabs.com. A brief note on the Whistle Blower Policy is also provided in the Report on Corporate Governance, which forms part of this Annual Report.

## Prevention of Insider Trading

Pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2018, the Company has adopted the Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their Immediate Relatives along with Code of Fair Disclosures.

## Disclosure as per Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company is committed to ensure that there is no scope for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder. The Company has not received any complaints on sexual harassment during the calendar year 2020 and as on the date of this report.

## Employee Stock Option Scheme

As on March 31, 2021, no employee stock options available in the Company and hence no disclosures are required to be made under Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

## Statutory Auditors

The financial statements have been audited by M/s. MSKA & Associates (Firm Registration No:105047W), Chartered Accountants, Statutory Auditors of the Company.

The Statutory Auditors were appointed in the AGM held on July 5, 2019 to hold office from the conclusion of the thirty fifth Annual General Meeting until the conclusion of the fortieth Annual General Meeting.

## Auditors' Report

There are no qualifications, reservations or adverse remarks made by M/s. MSKA & Associates, Statutory Auditors, in their report for the financial year ended March 31, 2021.

Pursuant to provisions of Section 143(12) of the Companies Act, 2013, as amended from time to time, the Statutory Auditors have not reported any incident of fraud to the Audit Committee during the year under review.

## Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of

Managerial Personnel) Rules, 2014, as amended from time to time, the Company has appointed M/s. P.S.Rao & Associates, a firm of Company Secretaries in Practice, to conduct the Secretarial Audit of the Company. The report of the Secretarial Audit for the financial year ended March 31, 2021 is annexed to the Corporate Governance Report and forms part of this report. There are no qualifications, reservations or adverse remarks made by the Secretarial Auditor in their report.

## Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, as amended from time to time, subject to the approval of the Central Government, if any required, the Audit Committee has recommended and the Board of Directors had appointed M/s. Nageswara Rao & Co. (Registration No. 000332), Cost Accountants, Hyderabad, being eligible and having sought re-appointment, as Cost Auditors of the Company, to carry out the cost audit of the products manufactured by the Company during the financial year 2021-22.

## Insurance

Your Company has taken necessary steps to mitigate risks and obtained appropriate insurances and the Board is kept appraised of the risk assessment and minimization procedures. The assets of the Company have been adequately covered under insurance. The policy values have been determined taking into consideration the value of the assets of the Company.

## Material Changes

There have been no material changes and commitments affecting the financial position of the Company between the end of the financial year of the Company to which the financial statements relate and the date of the report. Further, it is hereby confirmed that there has been no change in the nature of business of the Company.

## Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act 2013, read with Rule 8 of The Companies (Accounts) Rules, 2014, as amended from time to time, is annexed herewith as Annexure-3.

## Extract of Annual Return

Pursuant to Section 92 and Section 134 of the Companies Act, 2013, as amended from time to time, the Annual Return as on March 31, 2021 in form MGT-7 is available on the website of the Company at www.neulandlabs.com.

## Particulars of Employees and related disclosures

The information relating to remuneration and other details as required pursuant to Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, is provided as an Annexure-4 to this report.

In terms of the provisions of Section 197 of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the Annual Report, which forms part of this Report.

Pursuant to the provisions of the first proviso to Section 136(1) of the Act, the Annual Report is being sent to the members and other persons entitled thereto, excluding the information in respect of employees of the Company containing the particulars as specified in Rule 5 (2) of the said Rules. The said information is available for inspection on all working days, during business hours, at the Registered Office of the Company up to the date of the ensuing Annual General Meeting. Any member interested in obtaining such information, may write to the Company Secretary and the same will be furnished on request.

## Related Party Transactions

All contracts / arrangements / transactions entered into by the Company during the financial year with related parties were in the ordinary course of business and at an arm's length basis.

During the year, the Company has not entered into any material contract or arrangements with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions. Further, there were no materially significant related party transactions which could have potential conflict with interest of the Company at large.

The Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions as approved by the Board may be accessed on the Company's website, www.neulandlabs.com.

The particulars of transactions with related parties in the prescribed format is annexed to this report, as Annexure-5. Members may refer to Note 37 to the standalone financial statement which sets out related party disclosures pursuant to Ind AS.

## Particulars of Loans, Guarantees and Investments

The Company has not given any loans and guarantees or made any investments under Section 186 of the Act during the year under review.

## Deposits from Public

The Company has not accepted any deposits from the public and as such no amount of principal or interest on deposits from the public was outstanding as on the date of the Balance Sheet.

## Significant and Material Orders passed by the Regulators or Courts

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

## Risk Management

The Board oversees Company's processes for determining risk tolerance and review management's action and comparison of overall risk tolerance to established levels. The framework is designed to enable risks to be identified, assessed and mitigated appropriately. Major risks identified by the businesses and functions are systematically addressed through appropriate actions on a continuous basis. For details, please refer to the Management Discussion and Analysis report which forms part of this Report.

## Internal Financial Controls

Internal Financial Controls are an integral part of the risk management process, addressing financial and financial reporting risks. The internal financial controls have been embedded and documented in the business processes. The controls in place include essential components of internal financial controls required under the Companies Act, 2013, as amended from time to time, and also the internal financial controls over financial reporting as per the Guidance Note on Audit of Internal Controls over Financial Reporting as issued by Institute of Chartered Accountants of India.

Assurance on the effectiveness of internal financial controls is obtained through management reviews, continuous monitoring by functional owners as well as testing of the internal financial control systems by the internal auditors during the course of their audits. We believe that these systems provide reasonable assurance that our internal financial controls are designed effectively and are operating as intended.

The Company has in place adequate internal financial controls with reference to financial statements. During the year under review such controls were tested and no reportable material weakness in the design or operation were observed.

## Human Resources & Industrial Relations

Your Company's relations with its employees continue to be cordial. Dedicated work by the workmen, supervisors and executives of your Company made it possible to achieve success under trying and difficult circumstances.

## Acknowledgement

The Board of Directors would like to place on record its sincere appreciation for the continued support and guidance received from the banks, financial institutions, statutory and regulatory authorities, Ministry of Corporate Affairs, Stock Exchanges and Depositories for their continued support and guidance. The Board places on record its appreciation to the Shareholders of the Company for their continued support and to its valued customers and vendors for their continued patronage. The Board of Directors also wish to place on record its deep sense of appreciation for the committed services by the Company's employees at all levels.

For and on behalf of the Board

**Dr. Davuluri Rama Mohan Rao**
Executive Chairman
(DIN: 00107737)

Place: Hyderabad
Date: May 11, 2021

# Annexure-1

## Annual Report on CSR Activities

**1. Brief outline of the Corporate Social Responsibility (CSR) Policy**

The Company's CSR Policy is in alignment with the guidelines provided by the Ministry of Corporate Affairs. It provides for carrying out CSR activities in the area of Education, including special education and employment enhancing vocation skills especially among children, women, the elderly and the differently abled persons and livelihood enhancement projects. The Policy is available on the website of the Company, www.neulandlabs.com.

**2. The composition of CSR Committee of the Board:**

| Sl. No. | Name of Director | Designation/ Nature of Directorship | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---|---|---|---|---|
| 1 | Mr. Humayun Dhanrajgir | Chairman | 1 | 1 |
| 2 | Mr. Davuluri Sucheth Rao | Member | 1 | 1 |
| 3 | Mr. Davuluri Saharsh Rao | Member | 1 | 1 |
| 4 | Dr. Davuluri Rama Mohan Rao | Member | 1 | 1 |
| 5 | Dr. Nirmala Murthy | Member | 1 | 1 |

**3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.**

**Ans:** www.neulandlabs.com

**4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable**

**Ans:** N.A.

**5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:**

| Sl. No | Financial Year | Amount available for set-off from preceding financial years (₹ In lakhs) | Amount required to be setoff for the financial year, if any (₹ In lakhs) |
|---|---|---|---|
| 1 | 2019-2020 | 2.85 | - |
| | **Total** | | - |

**6. Average net profit of the company as per section 135(5): ₹ 3545.86 Lakhs**

**7.** a. Two percent of average net profit of the company as per section 135(5): ₹ 70.92 lakhs

b. Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil

c. Amount required to be set off for the financial year, if any: Nil

d. Total CSR obligation for the financial year (7a+7b-7c): ₹ 70.92 lakhs

**8.1. CSR amount spent or unspent for the financial year:**

| Total Amount Spent for the Financial Year. (₹ In Lacs) | Amount Unspent (in ₹) | | | | |
|---|---|---|---|---|---|
| | Total Amount transferred to Unspent CSR Account as per section 135(6). | | Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5). | | |
| | Amount | Date of transfer | Name of the Fund | Amount | Date of transfer |
| 88.02 | | | NIL | | |

**8.2. Details of CSR amount spent against ongoing projects for the financial year:**

| 1 | 2 | 3 | 4 | 5 | | 6 | 7 | 8 | 9 | 10 | 11 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Name of the Project | Item from the list of activities in Schedule VII to the Act | Local Area (Yes/ No) | Location of the Project | | Project duration | Amount allocated for the project (In ₹) | Amount spent in the current financial year | Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹) | Mode of impleme-ntation Direct (Yes/No)) | Mode of implementation- Through implementing Agency | |
| | | | | State | District | | | | | | Name | CSR Registration No. |
| 1 | Construction of drinking water tank | (i) | Yes | Telangana | Sangareddy | Year | 26.81 | 26.81 | NIL | Yes | NA | NA |
| 2 | Skill building and Education | (ii) | Yes | Telangana | Sangareddy | Year | 51.31 | 51.31 | NIL | Yes | NA | NA |
| 3 | Children's Park | (iv) | Yes | Telangana | Sangareddy | Year | 1.00 | 1.00 | NIL | Yes | NA | NA |
| 4 | i. COVID support -supply of sanitizers, preventive medicines, masks and food<br>ii. Health Camp | (i) | Yes | Telangana | Hyderabad and Sangareddy | Year | 9.90 | 9.90 | NIL | Yes | NA | NA |
| | | **TOTAL** | | | | | **88.02** | **88.02** | | | | |

**8.3. Details of CSR amount spent against other than ongoing projects for the financial year:**

| 1 | 2 | 3 | 4 | 5 | | 6 | 7 | 8 | |
|---|---|---|---|---|---|---|---|---|---|
| S. No. | Name of the Project | Item from the list of activities in Schedule VII to the Act | Local Area (Yes/No) | Location of the Project | | Amount spent for the project (In ₹) | Mode of implementation Direct (Yes/No)) | Mode of implementation- Through implementing Agency | |
| | | | | State | District | | | Name | CSR Registration No. |
| | | | | NA | | | | | |

**8.4. Amount spent in Administrative Overheads : NA**

**8.5. Amount spent on Impact Assessment, if applicable : NA**

**8.6. Total amount spent for the Financial Year (8b+8c+8d+8e): NA**

**8.7. Excess amount for set off, if any,:**

(in ₹ lakhs)

| S. No. | Particulars | Amount |
|---|---|---|
| 1 | Two percent of average net profit of the company as per section 135(5) | 70.92 |
| 2 | Total amount spent for the Financial Year | 88.02 |
| 3 | Excess amount spent for the financial year [(ii)-(i)] | 17.10 |
| 4 | Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any | - |
| 5 | Amount available for set off in succeeding financial years [(iii)-(iv)] | 17.10 |

**9.1. Details of Unspent CSR amount for the preceding three financial years: ₹ 135.04 lakhs**

**9.2. Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): NIL**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
|---|---|---|---|---|---|---|---|---|
| S. No. | Project ID | Name of the Project | Financial Year in which the project was commenced | Project duration | Total amount allocated for them project (in ₹). | Amount spent on the project in the reporting Financial Year (in ₹) | Cumulative amount spent at the end of reporting Financial Year (in ₹) | Status of the project- Completed /Ongoing. |
| NIL | | | | | | | | |

**10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details): Not Applicable**

(a) Date of creation or acquisition of the capital asset(s).

(b) Amount of CSR spent for creation or acquisition of capital asset

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

**11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): Not Applicable**

**Mr. Sucheth Rao Davuluri**
Vice Chairman & Chief Executive Officer

**Mr. Humayun Dhanrajgir**
Chairman of Corporate
Social Responsibility Committee

# ANNEXURE-2

## BUSINESS RESPONSIBILITY REPORT

*[pursuant to regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]*

### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

| | |
|---|---|
| Corporate Identity Number (CIN) of the Company | L85195TG1984PLC004393 |
| Name of the Company | Neuland Laboratories Limited |
| Registered address | Sanali Info Park,' A' Block, Ground floor, 8-2-120/113, Road No. 2, Banjara Hills, Hyderabad – 500 034 |
| Website | www.neulandlabs.com |
| E-mail id | ir@neulandlabs.com |
| Financial Year reported | March 31, 2021 |
| Sector(s) that the Company is engaged in (industrial activity code-wise) | NIC Code of product/service: 21001<br>Description: Manufacturing of Active Pharmaceutical Ingredients |
| List three key products/services that the Company manufactures/provides (as in balance sheet) | Levetiracetam, Mirtazapine / Custom Manufacturing Services |
| Total number of locations where business activity is undertaken by the Company | International: The Company has two overseas subsidiaries (United States of America and Japan)<br>National: The Company has 3 manufacturing facilities and one R&D facility in Hyderabad. |
| Markets served by the Company – Local/State/ National/International | The Company serves both International as well as Domestic markets with foothold and presence in more than 80 countries through either sales or alliances. |

### SECTION B: FINANCIAL DETAILS OF THE COMPANY

| | | |
|---|---|---|
| 1 | Paid up Capital (INR) | ₹ 1,290.05 lakhs |
| 2 | Total Turnover (INR) | ₹ 95,300.80 lakhs |
| 3 | Total profit after taxes (INR) | ₹ 8,029.49 lakhs |
| 4 | Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) | Total percentage on CSR as a percentage of profit after tax of FY 2020-21 is 1.10% on standalone basis. The Company spent over 2% of its average profit before tax of preceding 3 financial years |
| 5 | List of activities in which expenditure in 4 above has been incurred | The Company has undertaken CSR projects during FY 2020-21. The detailed list of activities where the CSR expenditure was incurred is included in the Directors' Report which forms part of this Annual Report. |

### SECTION C: OTHER DETAILS

1. **Does the Company have any Subsidiary Company/ Companies?**

   Yes, the Company has two wholly owned overseas subsidiaries.

2. **Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).**

   The parent company undertakes majority of the BR initiatives.

3. **Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**

   The Company does not mandate its suppliers and partners to participate in the Company's BR initiatives. However, wherever applicable, these entities also abide by Company's policies.

### SECTION D: BR INFORMATION

1. **Details of Director/Directors responsible for BR**

   a. Details of the Director responsible for the implementation of BR policy/policies

      - DIN Number : 00108880
      - Name : Mr. Davuluri Sucheth Rao
      - Designation : Vice Chairman & Chief Executive Officer

**b. Details of the BR head:**

| Sl. No. | Particulars | Details |
|---|---|---|
| 1 | DIN Number (if applicable) | 00108880 |
| 2 | Name | Mr. Davuluri Sucheth Rao |
| 3 | Designation Director | Vice Chairman & Chief Executive Officer |
| 4 | Telephone No. | 040-67611600 |
| 5 | E-mail ID | dsuchethrao@neulandlabs.com |

**2. Disclosures on the nine principles as charted by the Ministry of Corporate Affairs in the "National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business".**

**a)**

| Principle 1 | Principle 2 | Principle 3 |
|---|---|---|
| Ethics, Transparency & Accountability Businesses should conduct and govern themselves with Ethics, Transparency and Accountability | Product Life Cycle Sustainability Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle | Employee Well–Being Businesses should promote the well-being of all employees |
| **Principle 4** | **Principle 5** | **Principle 6** |
| Stakeholder Management Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized | Human Rights Businesses should respect and promote human rights | Environment Businesses should respect, protect and make efforts to restore the environment |
| **Principle 7** | **Principle 8** | **Principle 9** |
| Policy Advocacy Businesses, when engaged in influencing public regulatory policy, should do so in a responsible manner | Equitable Development Businesses should support inclusive growth and equitable development | Customer Value Businesses should engage with and provide value to their customers and consumers in a responsible manner |

**b) Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)**

| Sl. No. | Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Do you have a policy/policies for…. | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 2 | Has the policy being formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 3 | Does the policy conform to any national/ international standards? If yes, specify? (50 words) | The Company is abiding by the various laws while framing the policies, the best practices are taken into account. | | | | | | | | |
| 4 | Has the policy been approved by the Board? If yes, has it been signed by the MD/Owner/CEO/ appropriate Board Director? | The policies have been approved by the Chief Executive Officer and certain policies are approved by the Board. | | | | | | | | |
| 5 | Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 6 | Indicate the link for the policy to be viewed online? | Many of the policies are available on the website of the Company www.neulandlabs. com and the policies which are internal to the Company are available on the Intranet of the Company. | | | | | | | | |
| 7 | Has the policy been formally communicated to all relevant internal and external stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 8 | Does the Company have in-house structure to implement the policy/ policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 9 | Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 10 | Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency? | Y | Y | Y | Y | Y | Y | Y | Y | Y |

**c) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)**

NA

**3. Governance related to BR**

- Indicate the frequency with which the Board of Directors, Committee of the Board or Chief Executive Officer assess the BR performance of the Company. (Within 3 months, 3-6 months, Annually, More than 1 year) - Annually.
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

  Business Responsibility Report forms as part of the Company's Annual Report and can be viewed on the website of the Company, https://www.neulandlabs.com.

## SECTION E: PRINCIPLE-WISE PERFORMANCE

**Principle 1: Ethics, Transparency and Accountability**

**1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/ Joint Ventures/ Suppliers/Contractors/NGOs /Others?**

The Company adheres to transparent, fair and ethical governance and firmly believes that good Corporate Governance practices hold the key to raise the long-term value of stakeholders and form an integral part of its business.

The Company has in place, the 'Code of Ethical Conduct' for employees and 'Code of Conduct for Board Members and Senior Management' to promote highest standard of ethical conduct in all of its business activities. The Company encourages its Vendors and other Stakeholders to follow ethical practices throughout their respective operations.

All the policies are extended to the subsidiaries.

**2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.**

Other than normal business-related complaints in the ordinary course of the Company's business, no other material complaint has been received from any of the stakeholder in the financial year under report. All the complaints received are satisfactorily resolved.

**Principle 2: Products Life Cycle Sustainability**

**1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

(a) Levetiracetam

(b) Levofloxacin

(c) Mirtazapine

For all the above-mentioned products, we have done the details risk assessment (HazOp studies and HIRA) and implemented all recommendations. These activities resulted into safe operations, increased yield, significant inhouse solvent recoveries with a positive impact on the environment. The risk and improvement for opportunities are captured as per ISO 45001: 2018 Standard.

For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

(a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The company strives to improve its energy and water footprints by reducing the power and fuel consumption on an ongoing basis and continual improvement.

- Reduced energy consumption by replacing liquid nitrogen utility to chilled brine system.
- Installation of pressured powered pump for steam condensate, recycling improved by 20 %.
- Energy consumption reduction by installing Artic master.
- Dehydration of solvent by using molecular sieves reduced steam consumption and solvent loss.
- Automation of flue gas and blowdown water of boiler improved boiler efficiency 3%, consequently coal consumption.
- Boiler condensate recovery improvement reduced 20KL per day water
- Purified water plant RO end EDI reject water reusing as feed water, 10KL per day reduced
- Power factor improved from 0.88 to 0.98 for major utilities, consequently reduced by 3%.
- Automation (VFD and Pressure transmitter installation) for utilities reduced power consumption by 2.5%

**2. Does the Company have a mechanism to recycle products and wastes? If yes, what is the percentage of recycling the products and waste (separately as 10%). Also, provide details thereof, in about 50 words or so.**

The Organization is committed to recycle wastes - both process and non-process without compromising on compliance part.

The initiatives around recycling are:

- Spent Sulphuric acid generated sent to gypsum manufacturing company.
- Purifying solvent streams coming out from the manufacturing process and recycling back in the process.
- Mixed spent solvent generated (which cannot be separated/purified) is sent to thinner manufacturing industry for use as raw material.
- Hazardous waste generated in process sending to cement industry for recycling for use as co-fuel.
- Treated effluent passed through RO plants, MEE and recycled 100%.
- Steam condensate water recovered and sending back to boiler.

**Principle 3: Employee Well-Being**

**1. Please indicate the Total number of employees.**

As on March 31, 2021, there were 1,427 employees in the Company.

**2. Please indicate the Total number of employees hired on temporary/ contractual/ casual basis.**

The total number employee hired on temporary/ contractual/ casual basis is 998 as on March 31, 2021.

**3. Please indicate the Number of permanent women employees.**

The total number of permanent women employees is 119 as on March 31, 2021.

**4. Please indicate the Number of permanent employees with disabilities**

None.

**5. Do you have an employee association that is recognized by management?**

Yes

**6. What percentage of your permanent employees is members of this recognized employee association?**

9.92%

**7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

Nil. The Company does not employ any child labor. No case of sexual harassment at workplace was reported during the year 2020 and as on the date of this report.

**8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year? (a) Permanent Employees (b) Permanent Women Employees (c) Casual/Temporary/Contractual Employees (d) Employees with Disabilities**

| | | Safety Training | Skill up-gradation training |
|---|---|---|---|
| (a) | Permanent Employees | 100% | 100% |
| (b) | Permanent Women Employees | 100% | 100% |
| (c) | Casual/Temporary/ Contractual Employees | 100% | - |
| (d) | Employees with Disabilities | N.A. | N.A. |

**Principle 4: Stakeholder Management**

**1. Has the Company mapped its internal and external stakeholders? Yes/No.**

Yes. The Company has mapped its internal and external stakeholders.

**2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?**

Yes. The Company identifies underprivileged communities around its business locations as disadvantaged, vulnerable and marginalised stakeholders and continuously engages with all such stakeholders identifying their needs and priorities so as to serve these needs accordingly. The systems and processes are in place to systematically identify stakeholders and for understanding their concerns and for engaging with them is reviewed on a monthly basis.

3. **Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**

   Yes. The Company focuses on serving disadvantaged, vulnerable and marginalized stakeholders in core areas near to its manufacturing facilities through various CSR initiatives. The Company, on a periodical basis undertakes dedicated activities as a part of its CSR initiatives for the disadvantaged, vulnerable and marginalized stakeholders in and around the Company's facilities. The Company acknowledges the importance of skill development in this competitive environment and currently has more than 75 apprentices in our manufacturing and R&D locations with the motto of developing technical skills amongst chemistry students from economically backward districts in the region. More than 50 students of the Apprentice Scheme who were inducted will be confirmed for full time employment on company rolls on successful completion of apprenticeship. The Company also pursues other local community assistance programmes in and around its manufacturing facilities and office locations. The Company undertook the construction and successfully handed over of a community water tank in Domadugu village in Sangareddy district. As part of our green initiatives we partnered with the local administration in Gaddapotharam village to construct a childrens' park. Through hands on partnership with regulatory authorities, the Company has supported the government task force through supply of masks, sanitizers, vitamin supplements, pulse oximeters. Food packets distribution for migrant contract labour through police force support and Akshaya Patra. As part of our educational initiatives we supported the local village students in the communities of Gaddapotharam & Daomadugu through supply of computers and printers.

**Principle 5: Human Rights**

1. **Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**

   The Company's policy extends to its subsidiaries.

2. **How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

   There have been no complaints regarding violation of human rights.

**Principle 6: Environment**

1. **Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others?**

   The policy is applicable within the Organization and we also ensure that contract staff deployed on our premises are equally part of safety induction trainings. The Company conducts vendor audits to ensure compliance with environmental norms.

2. **Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

   The Company has taken up initiatives to address global environmental issues. The approach includes enhanced solvent recovery and water conservation through water management principles (reduce, recycle, reuse), etc. Environmental Compliance report is being submitted to the regulatory authority as per the stipulated timelines.

3. **Does the company identify and assess potential environmental risks? Y/N**

   Yes, the Environmental risk assessment is being done on periodical basis and all risks identified are complied.

4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

   No.

5. **Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

   The Company has undertaken number of initiatives including-

   - Reduction in energy consumption by replacing liquid nitrogen utility to ~40 brine compressor
   - Power saving achieved by about 1.8 lac KW/Year by installing Artic master and replacement of Instruments Air Compressor and Drier Replacements.
   - Energy effluent motor are purchased.

6. **Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

   Yes, all emissions and wastes generated by the company are well within the limits given by CPCB and state PCB for the financial year reported.

**7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

During the FY 2020-2021, the Company has not received any show cause/ legal notices from CPCB/ SPCB.

**Principle 7: Policy Advocacy**

**1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

Yes. The Company is a member of various trade/industry associations such as Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCI), Bulk Drug Manufacturers Association (India) (BDMA), Pharmaexcil and, Confederation of Indian Industry (CII).

**2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

Yes. The Company has participated in advocating matters relating to advancement of the industry and public good in the areas of sustainable product development, environmental impact management, women safety, security and CSR, through industry associations and initiatives with local government authorities.

**Principle 8: Equitable Development**

**1. Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

Yes. For more details on our CSR Initiatives, please refer Annexure 1 to the Directors' Report.

**2. Are the programmes/ projects undertaken through in-house team/own foundation/ external NGO/ government structures/ any other organization?**

The CSR initiatives are undertaken / closely monitored by the in-house team, in close collaboration with local Governments and grants may be provided to trusts/NGOs doing impactful work for the marginalized sections of the society.

**3. Have you done any impact assessment of your initiative?**

The Company undertakes impact assessments of projects under implementation for ensuring their desired impact and continued sustenance. The impact assessment is also discussed in the CSR committee.

**4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

This information has been provided under CSR Report of the Company. The total amount spent in the financial year under report is ₹ 88.02 lakhs.

**5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

All the community development initiatives are planned based on need assessment studies done with target communities to make sure projects are successfully adopted by the community.

**Principle 9: Customer Value**

**1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.**

No pending complaints. The complaints are handled timely as per the internal SOP and responded to customers.

**2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/N.A./Remarks (additional information)**

Yes, all the relevant product information such as name and grade of the product, batch number, manufacturing date, re-test date, quantity, manufacturer's details, storage and handling instructions, precautionary/ hazard statements, disposal procedures etc., are provided on the labels.

**3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**

No

**4. Did your company carry out any consumer survey/ consumer satisfaction trends?**

Yes, customer feedback is taken and evaluated periodically. In the current year the Company conducted a large survey for Generic Drug Substances (GDS) customers and a series of surveys for Customs Manufacturing Solutions (CMS) Customers.

# Annexure-3

## FORM - A

Disclosure of particulars with respect to conservation of energy (to the extent applicable)

### A. Power & Fuel Consumption

| | | | 2020-21 | 2019-20 |
|---|---|---|---|---|
| 1. | Electricity | | | |
| | a. | Purchased | | |
| | | Unit in lakhs (kWh) | 356 | 286 |
| | | Total Amount (₹ in lakhs) | 2451 | 2,182 |
| | | Rate/Unit (₹ /kWh) | 6.9 | 7.63 |
| | b. | Own generation (Unit in lakhs) kWh | 7.0 | 4.9 |
| | | (Through Diesel Generator) | | |
| | | Units per litre of Diesel Oil | 2.7 | 2.9 |
| | | Cost/Unit (₹/kWh) | 29.3 | 25.3 |
| 2. | Coal | | | |
| | Quality "C" Grade used in Steam Boiler | | | |
| | Quantity (Tonnes) | | 14289 | 14,779 |
| | Total cost (₹ in lakhs) | | 845 | 882 |
| | Average rate (₹ /Tonne) | | 5916 | 5,970 |

### B. Consumption per Unit of Production Electricity (Units) & Coal (in Tonnes)

Since the Company manufactures different types of bulk drugs and its intermediates, it is not practicable to give consumption per unit of production.

## FORM - B

### Research and Development

**a. Specific areas in which R&D was carried out by your Company**

i. Development of non-infringing patentable processes for active pharmaceutical ingredients in the therapeutic categories of anti-asthmatic, vasodilator, anti-fungal, haemostatic, anti-glaucoma, anti-hyperlipoproteinemic, anti-hypertensive, antipsychotic, antiemetic, anti-parkinson, anti-depressant, benign prostatic hyperplasia, antibacterial, anti-alzheimer and anti-coagulant.

ii. Development of efficient and cost-effective processes (Life cycle management) to reduce total variable cost and cycle time for existing products within the scope of DMF.

iii. Development of analytical methods and their validations.

iv. Generation of intellectual property and international regulatory filings.

v. Study of impurity profiles, synthesis including metabolites of active pharmaceutical ingredients.

vi. Evaluation of genotoxic impurities and their control in active pharmaceutical ingredients.

vii. Development of analytical methods for genotoxic impurities quantification.

viii. Project deliverables for CMS division are route feasibility / scouting / development / plant scale-ups for molecules which belong to different therapeutic categories which indicates that Neuland has expertise and can handle variety of therapeutic segment molecules.

**b. Benefits derived as a result of the above:**

i. The above research has resulted in commercializing/ scaling up of products.

ii. Life cycle management of the existing manufacturing processes for APIs resulted in lower production costs, reduced cycle times, and customer retention.

iii. CMS division project details for the financial year 2020-21.

| Projects* details | FY: 2020 - 2021 |
|---|---|
| Total CMS division has worked Projects | 125 |
| Total projects completed by CMS | 111 |
| Under progress CMS projects | 53 |

** Projects here are defined on the basis of individual RFPs, and not on a product basis*

iv. During the financial year 2020-21, Neuland has secured the grants of 7 process patents for 5 API molecules, of which 2 in USA (Apremilast and Aripiprazole Lauroxil), 02 in Europe (Indacaterol and Sugammadex), 03 in India (Labetalol hydrochloride, Sugammadex and Apremilast).

v. Neuland has filed 08 patent applications of which 05 were in India and 03 in PCT for the FY 2020-21.

vi. Neuland has filed 19 DMF's for the financial year 2020-2021 in different market areas.

vii. Neuland has developed 8 PID projects.

viii. New pilot plant for R&D purpose

c. **Future plan of action:**

i. To develop processes for new bulk drugs of various therapeutic categories identified after an extensive analysis of the market.

ii. and development of cost-effective processes for existing products.

iii. Undertake more custom manufacturing projects.

iv. Implementation of QBD during process development

v. To file 4-6 DMFs/CEPs every year

vi. Identified 6 new products for development in FY 2021-22

vii. Cost improvement in 8 products is planned to be taken up.

d. **Expenditure on R&D**

(₹ in lakhs)

| | 2020-21 | 2019-20 |
|---|---|---|
| Capital | 178.11 | 347.18 |
| Recurring | 2,106.58 | 1,741.14 |
| Total | 2,284.69 | 2,088.32 |

## Technology Absorption, Adaptation and Innovation

a. The technologies developed by R&D division of the Company towards the quality and yield improvement of existing products and also development of technology for new bulk drugs have been commercialized and adopted by the manufacturing facility of the Company.

b. In case of improved technology (imported during the last 5 years reckoned from the beginning of the financial year), the following information may be furnished.

i. Technology imported : Nil

ii. Year of import : Nil

iii. Has technology fully been absorbed : Nil

iv. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of actions : Nil

**Foreign Exchange Earnings and Outgo**

Foreign exchange earned in terms of actual inflows and foreign exchange outgo in terms of actual outflows during the year ended March 31, 2021:

a. Foreign exchange earned in terms of actual Inflows ₹ 72,918.61 lakhs.

b. Foreign exchange outgo in terms of actual Outflows ₹ 27,648.12 lakhs.

# Annexure-4

## Particulars of Remuneration

Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The information required under Section 197 of the Act and the Rules made there-under, in respect of employees of the Company, is follows:

**i. the ratio of the remuneration of each director to the median remuneration of the employees of the company and percentage increase in remuneration of for the financial year**

| Name of the Directors & Key Managerial Personnel | Ratio of remuneration to median remuneration of employees | % increase[1]/decrease in remuneration over previous year |
|---|---|---|
| Dr. Davuluri Rama Mohan Rao[2] (Executive Chairman) | 37.77 | 25.01% |
| Mr. D. Sucheth Rao[2] (Vice Chairman & Chief Executive Officer) | 32.74 | 08.33% |
| Mr. D. Saharsh Rao[2] (Vice Chairman & Managing Director) | 32.74 | 08.33% |
| Mr. Humayun Dhanrajgir (Non-Executive Director) | 02.17 | 93.88% |
| Mr. P. V. Maiya (Non-Executive Director) | 01.82 | 01.27% |
| Dr. Will Mitchell (Non-Executive Director) | 01.64 | 38.46% |
| Dr. Christopher M. Cimarusti (Non-Executive Director) | 01.60 | 40.00% |
| Mrs. Bharati Rao (Non-Executive Director) | 02.19 | 26.32% |
| Dr. Nirmala Murthy (Non-Executive Director) | 02.14 | 27.03% |
| Mr. Homi Rustam Khusrokhan (Non-Executive Director) | 02.10 | 48.39% |
| Mr. Deepak Gupta[3] (Chief Financial Officer) | N.A. | N.A. |
| Ms. Sarada Bhamidipati[4] (Company Secretary & Compliance Officer) | 06.82 | 15.99% |

*[1] Changes in the remuneration paid to non-executive directors, reflect increase / decrease in the sitting fees paid based on the number of meetings compared to previous year and also increase in provision for commission*

*[2] The provision for commission (profit-based) for the financial year 2020-21 has not been considered to make it comparable.*

*[3] Appointed with effect from September 24, 2020.*

*[4] includes one-time bonus payment.*

ii. the median remuneration of the employees has increased by 1.96%

iii. the number of permanent employees on the rolls of company as on March 31, 2021 was 1427.

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

Increase in remuneration is based on remuneration policy of the Company.

v. The Company affirms that the remuneration paid is as per the Remuneration Policy of the Company for Directors, Key Managerial Personnel and Employees.

vi. The statement containing particulars of employees as required under section 197[12] of the Act read with Rule 5[2] of the Companies [Appointment and Remuneration of Managerial Personnel] Rules, 2014, is provided in a separate annexure forming part of this report. Further, the report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company during business hours on working days of the Company up to the date of the forthcoming Annual General Meeting. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

# Annexure-5

## FORM NO. AOC -2

*(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.*

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms' length transaction under third proviso thereto.

1. **Details of contracts or arrangements or transactions not at Arm's length basis.**

   There were no contracts or arrangements or transactions entered into during the year ended March 31, 2021, which were not at arm's length basis.

2. **Details of contracts or arrangements or transactions at Arm's length basis.**

| Name of the Related party & nature of relationship | Duration of contract | Salient terms | Date of approval by Board, if any | Amount paid (₹ Lacs) | Amount paid as advances, if any |
|---|---|---|---|---|---|
| Dr. Christopher M Cimarusti<br>Non-Executive Non-Independent Director | 5 years from August 12, 2016 - Ongoing | Refer Note 1 | 20 May 2016 | - | - |
| Mrs. Vijaya Rao<br>Relative of Key Managerial Personnel | 5 years from July 1, 2019 – Ongoing | Refer Note 2 | 16 May 2019 | 75.73 | - |
| Mr. Davuluri Sucheth Rao,<br>Vice Chairman & Chief Executive Officer | 5 years<br>Refer Note 3 | Refer Note 3 | 11 Feb 2020 | 78.97 | - |
| Mr. Davuluri Saharsh Rao<br>Vice Chairman & Managing Director | 5 years<br>Refer Note 3 | Refer Note 3 | 11 Feb 2020 | 78.97 | - |

**Note 1:** The Shareholders had, at the Annual General Meeting held on August 12, 2016, approved a consultancy fee of USD 2,000 per day (net of taxes) for each day spent at the Company's facilities to Dr. Christopher M Cimarusti.

**Note 2:** The Company had renewed the three separate Lease agreements with Mrs. Vijaya Rao effective July 1, 2019 and the terms and conditions of the Lease Agreements dated July 1, 2014 remained unchanged. Under each agreement, the Company is required to pay lease rentals of ₹ 1.50 lacs per month and ₹ 10,000/- towards amenities and maintenance charges from the original date of the agreements, i.e., July 1, 2014, subject to an annual increase by 5%.

**Note 3:** The Company had entered into a Lease Deed with Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao ("Lessors"), for office space to be used by the Company, for a period of 5 years w.e.f. August 7, 2020. As per the terms of the Lease Deed, the Company is required to pay lease rentals of ₹ 79/- per sft. per month for area admeasuring 25611.05 sqft amounting to ₹ 20.23 lacs per month equally to Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao, subject to an annual increase by 5%.

All the above transactions were entered by the Company with Related Parties in the ordinary course of business at prevailing market rates.

For and on behalf of the Board

**Dr. Davuluri Rama Mohan Rao**
Executive Chairman
(DIN: 00107737)

# Report on Corporate Governance

## 1. Company's Philosophy on Code of Corporate Governance

Your Company's corporate governance philosophy strives to enhance stakeholders' value as a whole. It is based on principles such as conducting the business with all integrity and fairness, being transparent with regard to all transactions, making all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the stakeholders and commitment to conducting business in an ethical manner.

Your Company's Corporate Governance standards demonstrate inalienable rights vested with various stakeholders and strong commitment to values, ethics and business conduct. It always strives and upholds to manufacture high quality products, provide reliable services to customers through ethical practices, integrity in operations and financial management, and to generate consistent returns to shareholders on a sustainable and long-term basis and ensure accuracy and transparency in financial reporting. In being one of the oldest players in the regulated markets for APIs, your Company has established a credible track record with various agencies such as the USFDA, PMDA, etc., as reliable manufacturer of active ingredients. In order to do so, your Company has provided transparency par excellence to these agencies and our customers to whom we supply our products so we that have their trust and commitment. We will strive to create the same kind of transparency in all our stakeholder relationships.

**Board of Directors**

As at March 31, 2021, in accordance with the Corporate Governance norms, the Company's Board of Directors headed by its Executive Chairman, Dr. Davuluri Rama Mohan Rao comprised of ten directors, out of which six are Non-Executive Independent Directors including two woman directors. The directors of the Company do not serve as Independent Director in more than seven Listed Companies or in case he/she is serving as a whole-time director in any listed Company, does not hold such position in more than three listed Companies, in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

The table below provides the information on the Board of Directors required under Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, as at March 31, 2021:

| Name of the Directors | Category | No. of directorships held in other companies# | Names of the Listed companies holding directorship & category of such directorship held | Number of committee membership held in other companies* | Among the committee memberships held in other companies, number of chairmanships held | No. of Board Meetings attended | Attendance at the last AGM |
|---|---|---|---|---|---|---|---|
| Dr. Davuluri Rama Mohan Rao[1] DIN : 00107737 | Non-Independent, Executive, Promoter | 1 | 1. Neuland Laboratories Limited (Executive Director) | – | – | 4 | Yes |
| Mr. Davuluri Sucheth Rao[1] DIN : 00108880 | | 1 | 1. Neuland Laboratories Limited (Executive Director) | – | – | 4 | Yes |
| Mr. Davuluri Saharsh Rao[1] DIN : 02753145 | | 1 | 1. Neuland Laboratories Limited (Executive Director) | – | – | 4 | Yes |
| Dr. Christopher M. Cimarusti DIN : 02872948 | Non-Independent, Non-Executive | – | 1. Neuland Laboratories Limited (Non-Executive Non-Independent Director) | – | – | 4 | No |
| Mr. Humayun Dhanrajgir DIN: 00004006 | Independent, Non-Executive | 5 | 1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Themis Medicare Limited (Non-Executive Independent Director) | 3 | 1 | 3 | Yes |
| Mr. Parampally Vasudeva Maiya DIN: 00195847 | | 2 | 1. Neuland Laboratories Limited (Non-Executive Independent Director) | 1 | - | 4 | Yes |
| Dr.William G. Mitchell DIN: 02222567 | | – | 1. Neuland Laboratories Limited (Non-Executive Independent Director) | – | – | 4 | No |

| Name of the Directors | Category | No. of directorships held in other companies# | Names of the Listed companies holding directorship & category of such directorship held | Number of committee membership held in other companies* | Among the committee memberships held in other companies, number of chairmanships held | No. of Board Meetings attended | Attendance at the last AGM |
|---|---|---|---|---|---|---|---|
| Mrs. Bharati Rao<br>DIN: 01892516 | Independent, Non-Executive | 5 | 1. Neuland Laboratories Limited (Non-Executive Independent Director<br>2. Suprajit Engineering Limited (Non-Executive Independent Director) | 5 | 1 | 4 | Yes |
| Dr. Nirmala Murthy<br>DIN: 00734866 | | - | 1. Neuland Laboratories Limited (Non-Executive Independent Director) | - | - | 4 | Yes |
| Mr. Homi Rustam Khusrokhan<br>DIN:00005085 | | 3 | 1. Neuland Laboratories Limited (Non-Executive Independent Director)<br>2. Strides Pharma Science Limited (Non-Executive Independent Director) | 2 | 1 | 4 | Yes |

*[1].Dr. Davuluri Rama Mohan Rao, Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao are related to each other*

*# Includes directorship in Private Limited companies; excludes directorship in Foreign Companies*

** Only Membership / Chairmanship in Audit and Stakeholders Relationship Committee are considered*

**Selection criteria of Board Members**

The Nomination and Remuneration Committee in accordance with the Company's Policy for determining the qualifications, positive attributes and independence of director and the requirements of the skill-sets on the Board considers eminent persons having an independent standing in their respective field and who can effectively contribute to the Company's business, for appointment of new Directors on the Board. The Policy for determining the qualifications, positive attributes and independence of director is available on the website of the Company www.neulandlabs.com.

The Nomination and Remuneration Committee works with the Board to determine the appropriate characteristics, skills and experience required for the Board as a whole and for individual member. The Company has adopted Guidelines on selection criteria of Board members, which is available on the website of the Company www.neulandlabs.com.

**Independent Directors**

Your Company's Independent Directors are renowned people having expertise/ experience in their respective field/profession. None of the Independent Directors are Promoters or related to Promoters. They do not have pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company. None of the Independent Directors of the Company is a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director.

In the opinion of the Board, all the Independent directors fulfil the conditions specified in the Companies Act, 2013, including amendments thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, and are independent of the management.

Pursuant to section 150 read with of Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 of the Companies Act, 2013, your Company's Independent Directors have registered themselves on the portal of "Indian Institute of Corporate Affairs" as Independent Director, within the prescribed timelines.

**Familiarization Program of Independent Directors**

The Independent directors of the Company are eminent personalities having wide experience in the field of business, education, banking, finance, industry, research & development and administration. Their presence on the Board has been advantageous and fruitful in taking business decisions. The Directors appointed by the Board are given induction and orientation with respect to the Company's vision, strategic direction, core values, including ethics, corporate governance practices, financial matters and business operations on a one-to-one basis.

Periodic presentations are made by Senior Management, Statutory and Internal Auditors at the Board/Committee meetings on business and performance updates of the Company, global business environment, business risks and its mitigation strategy, impact of regulatory changes on strategy, etc. Updates on relevant statutory changes encompassing important laws are regularly intimated to the Independent directors.

The Company has a familiarisation programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business models of the Company etc., and the same is available on the website of the Company www.neulandlabs.com.

**Codes / Policies**

The Company has various codes and policies in place to carry out the business and ensure integrity, transparency, independence and accountability in dealing with all stakeholders. Some of the codes and policies are:

- Code of Business Conduct & Ethics
- Code of Conduct for Board members & Senior Management Personnel
- Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons & their Immediate relatives
- Whistle Blower Policy
- Policy for determining the qualifications, positive attributes and independence of director
- Terms of appointment of Independent Directors
- Vigil Mechanism and Whistle Blower Policy
- Development and Succession Planning
- Guidelines for Evaluation of Board and Committees
- Policy for determining Material Subsidiaries
- Related Party Transaction Policy
- Material Events Policy
- Preservation of Documents Policy
- Dividend Distribution Policy

**Board Meetings held during the financial year ended March 31, 2021**

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year, the Board met four times on May 22, 2020, August 4, 2020, November 3, 2020, and February 2, 2021. The maximum gap between any two Board Meetings was less than one hundred and twenty days. All material information was circulated to the directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

**Meeting of Independent Directors**

During the year under review, a separate Meeting of the Independent Directors of the Company was held on February 1, 2021, without the attendance of non-independent directors and members of the management.

The Company has proper systems to enable the Board to periodically review compliance reports of all laws applicable to the Company, as prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances, if any.

**Non-Executive Directors' compensation and disclosures**

All fees/compensation paid to Non-Executive Directors (including Independent Directors) are fixed by the Board and approved by the shareholders in the General Meeting and the compensation is within the limits prescribed under the Companies Act, 2013.

**Board Skills / expertise / competencies**

Your Board aims to be comprised of Directors with the appropriate mix of skills, experience, expertise and diversity relevant to the Company's business and the Board's responsibilities. The skills matrix adopted by the Board vis-à-vis the skills / expertise / competencies of respective directors are as under:

**Board Competency Matrix**

| Board of Directors | Industry expertise (Pharmaceutical Industry / Chemical Manufacturing and Development) | Executive leadership and Board experience | Expertise in financial matters | Corporate Governance | Strategy & Risk Management | Health, safety, environment and sustainability | M&A/Capital Markets | Sales, Marketing and Market Strategy |
|---|---|---|---|---|---|---|---|---|
| Dr. Davuluri Rama Mohan Rao | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Davuluri Sucheth Rao | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Davuluri Saharsh Rao | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Humayun Dhanrajgir | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | ✓ |
| Mr. Parampally Vasudeva Maiya | - | ✓ | ✓ | ✓ | ✓ | - | ✓ | ✓ |
| Dr. William Gordon Mitchell | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - |
| Dr. Christopher M. Cimarusti | ✓ | ✓ | - | ✓ | ✓ | ✓ | - | - |
| Mrs. Bharati Rao | - | ✓ | ✓ | ✓ | ✓ | - | ✓ | - |
| Dr. Nirmala Murthy | - | ✓ | - | - | ✓ | ✓ | - | - |
| Mr. Homi Rustam Khusrokhan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

The current composition of your Company's Board includes directors with core industry experience and has the key skills and experience as set out above. There are further disclosures in the directors' biographies on pages 16 to 17 which outline the extensive leadership, governance, strategy and financial experience of the members of the Board, which are considered appropriate for the company's circumstances.

## 2. Committees of the Board

### a. Audit Committee

The terms of reference of the Audit Committee cover the areas as contemplated under Section 177 of the Companies Act, 2013 and Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, as applicable, besides other terms as referred by the Board of Directors. The terms of reference include:

a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible

b. Recommendation for appointment, remuneration and terms of appointment of auditors of the listed company

c. Approval of payment to statutory auditors for any other services rendered by Statutory auditors

d. Reviewing with management, the annual financial statements and auditor's report thereon before submission to the Board for approval, focusing primarily on:

   i. matters required to be included in the Directors Responsibility Statement to be included in the Directors Report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;

   ii. changes, if any, in accounting policies and practices and reasons for the same;

   iii. major accounting entries involving estimates based on the exercise of judgement by management;

   iv. significant adjustments made in the financial statements arising out of audit findings;

   v. compliance with listing and other and legal requirements concerning financial statements; and,

   vi. disclosure of any related party transactions

   vii. Modified opinion(s) in draft audit report;

e. Reviewing with the management, the quarterly financial statements before submission to the Board for approval;

f. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purpose other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

g. Review and monitor the auditor's independence and performance, and effectiveness of audit process;

h. Approval or any subsequent modification of transactions of the company with related parties;

i. Scrutiny of inter-corporate loans and investments;

j. Valuation of undertakings or assets of the Company, wherever it is necessary;

k. Evaluation of internal financial controls and risk management systems;

l. Reviewing with the management, performance of statutory and internal auditors, the adequacy and compliance of internal control systems;

m. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

n. Discussion with internal auditors any significant findings and follow up thereon;

o. Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

p. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

q. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

r. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc., of the candidate.

s. Authority to investigate into any matter in relation to the items specified in sub-section (4) of Section 177 of the Companies Act, 2013 or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the Company;

t. Appointment of registered valuers;

u. Reviewing the reports/ certificates placed before it as mandated by the statutory authorities or as required under policies framed by the Company from time to time.

v. Ascertaining and ensuring that the Company has an adequate and functional vigil mechanism and for ensuring that the interest of a person, who uses such a mechanism, are not prejudicially affected on account of such use, as and when applicable and reviewing the functioning of whistle blower mechanism;

w. Any other matters/ authorities / responsibilities / powers assigned as per Companies Act 2013 and Rules made thereunder, as amended from time to time;

The Committee mandatorily reviews information including internal audit reports related to internal control weakness, management discussion and analysis of financial condition and result of operations, statement of significant related party transactions, appointment and removal of the auditors and such other matters as prescribed from time to time.

The Audit Committee presently comprises of four Independent Directors and one Whole Time Director and the Chairman of the Audit Committee is an Independent Director. All members of the Audit Committee are financially literate and have related financial management expertise by virtue of their experience and background.

During the year, the Committee met four times on May 22, 2020, August 4, 2020, November 3, 2020, and February 2, 2021:

| Name of Member | Meetings held during the Year | Meetings attended |
|---|---|---|
| Mr. Homi Rustam Khusrokhan, Chairman of Audit Committee | 4 | 4 |
| Mr. Humayun Dhanrajgir, Member | 4 | 4 |
| Mrs. Bharati Rao, Member | 4 | 4 |
| Mr. Davuluri Sucheth Rao, Member | 4 | 4 |
| Dr. Nirmala Murthy, Member | 4 | 4 |

The maximum gap between any two meetings was less than one hundred and twenty days. The Company Secretary acts as the Secretary of the Audit Committee. The Executive Chairman, Whole-time Directors, the Statutory Auditor, the Internal Auditor, Chief Financial Officer, Company Secretary and other Independent Director of the Company are also invited to the meetings of the Audit Committee.

**b. Nomination and Remuneration Committee**

The terms of reference of the Nomination and Remuneration Committee covers the areas as contemplated under Section 178 of the Companies Act, 2013 and Regulation 19 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, besides other terms as referred by the Board of Directors and include formulation of criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees; formulation of criteria for evaluation of Independent Directors and the Board; devising a policy on diversity of Board of Directors; identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommending to the Board their appointment, removal and noting their cessation; recommending to the Board on extension or continuation of the terms of appointment of the independent directors; administering employee stock option schemes of the Company, if any; and carrying out any other function as is referred by the Board from time to time or enforced by any statutory notification / amendment or modification as may be applicable.

The Nomination and Remuneration Committee consists of three Non-Executive Independent Directors. During the year, the Committee met on May 20, 2020 and August 3, 2020:

| Name of Member | Meetings held during the Year | Meetings attended |
|---|---|---|
| Mr. Parampally Vasudeva Maiya, Chairman of Nomination and Remuneration Committee | 2 | 2 |
| Mr. Humayun Dhanrajgir, Member | 2 | 2 |
| Mrs. Bharati Rao, Member | 2 | 2 |

Performance Evaluation

The Company has put in place an evaluation framework for evaluation of the Board, its Committees, Directors and Chairman. The evaluation of the Board, its Committees, Directors and Chairman were undertaken through circulation of questionnaires. The questionnaires were based on select parameters such as frequency of meetings, mix of expertise, experience relevant to the Company's requirements, quality, quantity and timeliness of flow of information and constitution and terms of reference of various Board Committees in respect of Board and its Committees. The evaluation criteria for the individual directors, including the Board Chairman and Whole Time Directors was based on parameters such as attendance, participation and contribution at the meetings and otherwise. The guidelines for evaluation of Board and Committees are available on the website of the Company at www.neulandlabs.com.

Remuneration Policy

The Nomination and Remuneration policy of your Company is a comprehensive policy which is competitive, in line with the industry practices and rewards good performance of the employees of the Company. The Policy is enclosed as Annexure-1 to this report and is also available on the website of the Company at www.neulandlabs.com.

The objective and broad framework of the Remuneration Policy is to consider and determine the remuneration, based on the fundamental principles of payment for performance, for potential, and for growth and to provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

Your Company endeavours to attract, retain, develop and motivate a high-performance workforce. Your Company follows a compensation mix of fixed and variable pay. Individual performance pay is determined by business performance and the performance of the individuals measured through the annual appraisal process.

The Remuneration Policy of the Company for managerial personnel is primarily based on performance of the Company, performance and potential of individual managers, and External competitive environment.

Directors' Remuneration

The details of remuneration paid or payable to the Directors for the financial year ended March 31, 2021 are as under:

(Amount in ₹ lacs)

| Name of Director | Salary | Perquisites and other benefits[1] | Commission | Sitting fee | Total |
|---|---|---|---|---|---|
| Dr. Davuluri Rama Mohan Rao[2] | 130.09 | 35.52 | 220.00 | N.A | 385.61 |
| Mr. Davuluri Sucheth Rao[2] | 112.79 | 30.74 | 200.00 | N.A | 343.54 |
| Mr. Davuluri Saharsh Rao[2] | 112.79 | 30.74 | 180.00 | N.A | 323.54 |
| Mr. Humayun Dhanrajgir | N.A | N.A | 05.00 | 04.50 | 09.50 |
| Mr. Parampally Vasudeva Maiya | N.A | N.A | 05.00 | 03.30 | 08.00 |
| Mrs. Bharati Rao | N.A | N.A | 05.00 | 04.60 | 09.60 |
| Dr. Nirmala Murthy | N.A | N.A | 05.00 | 04.40 | 09.40 |
| Dr. William G. Mitchell | N.A | N.A | 05.00 | 02.20 | 07.20 |
| Dr. Christopher M. Cimarusti | N.A | N.A | 05.00 | 02.00 | 07.00 |
| Mr. Homi Rustom Khusrokhan | N.A | N.A | 05.00 | 04.20 | 09.20 |

[1] *Perquisites and other benefits include Provident Fund*

[2] *Tenure of office of the Whole Time Directors is for a term of five years from the date of appointment and can be terminated by either the Company or such directors by giving 12 months' notice in advance or salary in lieu thereof*

The Company has not provided any stock options to its directors.

During the financial year 2020-21, the Non-Executive Directors were paid Sitting fee of ₹50,000 for attending each meeting of the Board and Audit Committee and ₹20,000 for each meeting of the Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Finance Committee and Stakeholder Relationship Committee. The Independent Directors were paid a fee of ₹20,000 each for the separate meeting of the Independent Directors.

Shareholding of Directors as on March 31, 2021

| Name | No. of shares |
|---|---|
| Dr. Davuluri Rama Mohan Rao | 32,03,474 |
| Mr. Davuluri Sucheth Rao | 3,37,542 |
| Mr. Davuluri Saharsh Rao | 2,53,487 |
| Mr. Humayun Dhanrajgir | 3,286 |
| Mr. Parampally Vasudeva Maiya | 2,000 |

**c. Stakeholders Relationship Committee**

The terms of reference of the Committee include review of matters pertaining to transfer/transmission of shares, non-receipt of annual report, non-receipt of Annual Reports and declared dividends, issue of duplicate certificates, review of shares dematerialised and all other related matters; resolving the grievances of the security holders of the Company, including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.; review of measures taken for effective exercise of voting rights by shareholders; review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent; review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company; and carrying out any other function as is referred by the Board from time to time or enforced by any statutory notification / amendment or modification as may be applicable.

During the financial year 2020-21, the Committee met one time on May 20, 2020:

Composition and Attendance

| Name of Member | Meetings held during the Year | Meetings attended |
|---|---|---|
| Mr. Parampally Vasudeva Maiya, Chairman | 1 | 1 |
| Dr. Davuluri Rama Mohan Rao, Member | 1 | 1 |
| Mr. Davuluri Sucheth Rao, Member | 1 | 1 |

The Company attends to the investors' grievances/ correspondence expeditiously and usually reply is sent within a period of fifteen days of receipt.

The Company has received Two complaints from the shareholders/Stock Exchange for non-receipt of dividend warrants during the financial year 2020-21. The complaints were gathered by the Company from Registrar and Transfer Agent and from its own sources, which were duly attended to and the Company has furnished necessary documents/information to the Members. There are no complaints pending as on March 31, 2021. All the complaints have been disposed of to the satisfaction of the Members.

The Registrars & Transfer Agents are completing share transfers once in every 15 days. Requests for share transfers are not pending beyond the stipulated period.

**d. Corporate Social Responsibility Committee**

The Committee oversees, inter-alia, corporate social responsibility and other related matters as may be referred by the Board of Directors and discharges the roles as prescribed under Section 135 of the Companies Act, 2013 which includes formulating and recommending to the Board, a Corporate Social Responsibility (CSR) Policy indicating the activities to be undertaken by the Company in conformity with Schedule VII of the Companies Act, 2013 and the Rules thereof; recommending the amount of expenditure to be incurred; and monitoring the CSR Policy of the Company.

During the year under review, the Committee once on May 20, 2020:

Composition and Attendance

| Name of Member | Meetings held during the Year | Meetings attended |
|---|---|---|
| Mr. Humayun Dhanrajgir, Chairman | 1 | 1 |
| Dr. Davuluri Rama Mohan Rao, Member | 1 | 1 |
| Mr. Davuluri Sucheth Rao, Member | 1 | 1 |
| Mr. Davuluri Saharsh Rao, Member | 1 | 1 |
| Dr. Nirmala Murthy, Member | 1 | 1 |

**e. Finance Committee**

Dr. Davuluri Rama Mohan Rao, Mr. Parampally Vasudeva Maiya, Mr. Humayun Dhanrajgir, Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao are the members of the Committee. During the year under review, the Committee met on June 25, 2020.

| Name of Member | Meetings held during the Year | Meetings attended |
|---|---|---|
| Dr. Davuluri Rama Mohan Rao, Chairman | 1 | 1 |
| Mr. Humayun Dhanrajgir, Member | 1 | 1 |
| Mr. Parampally Vasudeva Maiya, Member | 1 | 1 |
| Mr. Davuluri Sucheth Rao, Member | 1 | 1 |
| Mr. Davuluri Saharsh Rao, Member | 1 | 1 |

The Finance Committee was constituted, inter alia, for the purpose of approving credit facilities sanctioned by lenders from time to time.

Compliance officer

Ms. Sarada Bhamidipati, Company Secretary, is the Compliance Officer for complying with the requirements of the Securities Laws, Listing Agreements with the Stock Exchanges and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended. She acts as the Secretary to all the mandatory sub-committees of the Board.

## 3. General Body Meetings

**The last three Annual General Meetings details are given herein below:**

| Year | Date | Day | Time | Venue |
|---|---|---|---|---|
| 2018 | August 10, 2018 | Friday | 2.30 p.m. | Grand Ball Room, Taj Krishna, Hyderabad |
| 2019 | July 5, 2019 | Friday | 10.00 a.m. | Grand Ball Room, Taj Krishna, Hyderabad |
| 2020 | July 10, 2020 | Friday | 10.00 a.m. | Through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") |

**Special Resolutions passed at the last three AGMs**

| Year | August 10, 2018 | July 5, 2019 | July 10, 2020 |
|---|---|---|---|
| Item | a. Payment of minimum remuneration to Dr. Davuluri Rama Mohan Rao<br>b. Payment of minimum remuneration to Mr. Davuluri Sucheth Rao<br>c. Payment of minimum remuneration to Mr. Davuluri Saharsh Rao<br>d. Re-appointment of Mr. Davuluri Sucheth Rao designated as Vice Chairman & CEO of the Company for a period of five years w.e.f. Aug 1, 2018 | a. To appoint a Director in place of Dr. Christopher M Cimarusti (DIN: 02872948) who retires by rotation and, being eligible, seeks re-appointment. | a. Re-appointment of Dr.NirmalaMurthy(DIN:00734866) as an Independent Director<br>b. Re-appointment of Mr. Davuluri Saharsh Rao (DIN: 02753145) as Whole Time Director designated as Joint Managing Director |

No Extraordinary General Meeting of the members was held during the financial year 2020-21.

Postal Ballot

During the year under review, the shareholders of the Company, have by way of Special resolutions approved the following through postal ballot/ electronic voting ("e-voting") in pursuance to Section 108 and other applicable provisions of the Companies Act, 2013, read together with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended from time to time.

Resolution No.1: Re-designation of Dr.Davuluri Rama Mohan Rao as the Executive Chairman

Resolution No.2: Re-designation of Mr.Davuluri Saharsh Rao as Vice Chairman & Managing Director

Mr. D. Hanumanta Raju, Partner, D. Hanumanta Raju & Co., Practicing Company Secretaries, was appointed as Scrutinizer to conduct the Postal Ballot process in a fair and transparent manner, wherein the said resolutions as proposed were passed as Special Resolutions, respectively. Pursuant to the General Circular Nos.14/2020, 17/2020 and 22/2020 dated April 8, 2020, April 13, 2020 and June 15, 2020, respectively, issued by Ministry of Corporate Affairs (the "MCA Circulars") the above resolutions were passed through postal ballot only by remote e-voting. The voting results of the Postal Ballot were declared on September 14, 2020. The details of voting on Postal Ballot process are as under:

| Resolution No. | Number of votes polled | No. of votes polled in favour | | No. of votes polled against | | No. of Invalid votes | |
|---|---|---|---|---|---|---|---|
| | | Favour | % | Against | % | Invalid | % |
| 1 | 6310457 | 6280691 | 99.53 | 29766 | 0.47 | 1 | 0.00 |
| 2 | 6310457 | 6310246 | 99.99 | 211 | 0.00 | 1 | 0.00 |

**1. Information in respect of Directors seeking appointment / re-appointment as required under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

| Name of the Director | Dr. Christopher M Cimarusti |
|---|---|
| Date of first appointment | 20.10.2009 |
| Date of Birth | 15.10.1943 |
| Expertise in specific functional areas | Drug discovery, development and manufacturing |
| Educational Qualifications | PhD in Organic Chemistry and Postdoctoral Research from Columbia University, USA |
| Chairman/Member of the Committee of the Board of Directors of the Company | NIL |
| List of directorships, Committee Chairmanship and membership held in other companies as on May 11, 2021 | -Taxis Pharmaceuticals<br>-Neuland Laboratories, Inc |
| Relationships between directors inter-se | NA |
| Number of shares held in the Company as on May 11, 2021 | NIL |

**2. Disclosures**

a. Related Party Transactions

During the year under review, the Company had no materially significant related party transaction, which is considered to have potential conflict with the interests of the Company at large. All related party transactions are negotiated on an arms-length basis and are intended to further the Company's interests. Attention of members is drawn to the disclosure of transactions with related parties set out in Note No. 37 of Standalone Financial Statements, forming part of the Annual Report. The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. The said policy is also available on the Company's website www.neulandlabs.com.

b. The equity shares of the Company are listed on BSE and NSE and no penalties or strictures have been imposed on the Company by the Stock Exchange, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years. A report on the compliances on the applicable laws for the Company is placed before the Board on a quarterly basis for its review and consideration.

c. Whistle Blower Policy

Your Company has a Whistle Blower Policy, which is available on the Company's website at www.neulandlabs.com. The policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. Pursuant thereto, anyone can directly approach the Chairman of the Audit Committee or through Company Secretary to report any suspected or confirmed incident of fraud / misconduct. It is affirmed that no personnel have been denied access to the Audit Committee.

d. Reconciliation of share capital audit

The Company has engaged a practising Company Secretary to carry out a share capital audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued, and listed equity share capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL. A copy of the report is uploaded by the respective Stock Exchanges.

In the online portal of both the stock exchanges (NSE and BSE) on a quarterly basis within the prescribed time limit and the same is also placed before the Board.

e. Code of Conduct

The Company has a Code of Conduct for Directors and Senior Management of the Company and has received confirmations from the Directors and Senior Management regarding compliance with the Code for the year ended March 31, 2021. A certificate from the Executive Chairman to this effect is attached to this Report.

f. Allotment of shares

During the year under review, the Company has not made any allotment of shares.

g. Accounting treatment

The Financial Statements of the Company have been prepared in accordance with the Indian Accounting Standard (Ind AS), notified under the Companies (Indian Accounting Standard) Rules, 2015, as amended, and the relevant provisions of Companies Act, 2013. The Financial statements have been prepared on accrual basis under the historical cost convention.

h. Non-Executive Directors' compensation and disclosures

All fees/compensation paid to the Non-Executive Directors (including Independent Directors) are recommended by the Nomination and Remuneration Committee and fixed by the Board and approved by the shareholders in the General Meeting, if required and the remuneration paid/payable are within the limits prescribed under the Companies Act, 2013.

Except for the above, the Non-Executive Director and the Independent Directors of the Company had no pecuniary relationship or transactions with the Company.

i. Code of Conduct for Prevention of Insider Trading

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, your Company has in place a Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their Immediate Relatives. The disclosures received pursuant to this code and the regulations are disseminated to the Stock Exchanges within the prescribed time limit and a report on compliance are being duly placed before the respective Audit Committee and Board Meetings.

j. Policy on Prohibition of Sexual Harassment of Women at Workplace

Your Company has a robust mechanism in place to redress complaints, if any, reported under the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has complied with provisions relating to the constitution of Internal Complaints Committee. The Internal Complaints Committee is composed of internal members and an external member who has extensive experience in the field. No complaints were reported in the Company during the calendar year 2020 and as on date of this report.

k. Compliance on Corporate Governance

Your Company submits compliance report on Corporate Governance to both the stock exchanges (NSE and BSE) within the stipulated timelines. These reports are also placed before the respective Board Meetings. Pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, certificate from a Practising Company Secretary confirming that the Company is in compliance on conditions of Corporate Governance is published elsewhere in the Annual Report.

l. In accordance with the requirements of the Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Board reviews the Management's perception of the risks faced by the Company and measures taken to minimise the same.

m. The Vice Chairman & Chief Executive Officer and Chief Financial Officer have submitted a Certificate to the Board in the prescribed format for the financial year ended March 31, 2021, pursuant to Regulation 17(8) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended. The Certificate has been reviewed by the Audit Committee and taken on record by the Board.

n. None of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority as on the date of the report. A certificate from a company secretary in practice is enclosed in this regard.

o. Secretarial Standards

Your Company's practices and procedures meet the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

p. E-voting

Pursuant to the requirements of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Company is providing e-voting facility to its shareholders, in respect of all shareholders' resolutions, to be passed at the General Meetings.

q. Commodity price risk or foreign exchange risk and hedging activities

Some of the API products manufactured by the Company may have direct or indirect foreign currency fluctuations /commodity price risks. The Company does not undertake any hedging activities for the same. However, the Company reviews its product mix with a focus on niche and high margin products to mitigate the commodity price risk. The Company is a net foreign exchange earner and thus faces foreign currency fluctuation risk. The Company tries to minimise the risk through natural hedge via foreign currency liabilities to the extent possible. For the balance, looking at the trend, the Company may keep its position open or hedge the same. The Company reviews its Foreign Currency Risk and evaluates the same on a periodic basis.

r. Management Discussion and Analysis Report forms part of the Report of the Directors.

s. Statutory Auditor's Fees/Compensation for FY 2020-21

The total fees paid by the Company to the Statutory Auditors for FY 2020-21 is set out in Note No. 27 of the Standalone Financial Statements, forming part of the Annual Report.

t. Non-Mandatory Requirements

The Company also complies with the following non-mandatory requirements Regulation 27 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

- There are no audit qualifications during the year under review.
- The Internal auditors report to the Audit Committee every quarter.

**3. Subsidiaries**

The Company does not have any material subsidiary, and hence, is not required to nominate an Independent Director of the Company on the Board of any subsidiary. However, the Company has also formulated a policy for determining the Material Subsidiary and the same is available on Company's website at www.neulandlabs.com. The Management provides financials of the subsidiary companies on a quarterly basis and the audited financial statements annually to the Audit Committee and the Board of Directors.

**4. Means of Communication**

The Company's website provides information to the shareholders, including financial results, Shareholding Patterns, Registrars & Share Transfer Agents, Corporate Governance Policies and other Codes of the Company, and list of shareholders who have not claimed their dividend to comply with MCA Guidelines. The website covers all major press reports, releases, awards, campaigns etc.

The Company also interacts with the shareholders through other channels of communication such as publication of results, Annual Report, press releases, Analysts Call after the Board Meeting and the Company's website. The Company also informs the Stock Exchanges in a prompt manner, all price sensitive information and all such other matters which in its opinion, are material and relevant for the shareholders.

| | |
|---|---|
| Quarterly Results | The results of the Company are published in the newspapers |
| Newspapers wherein results normally published | One Leading national (English) business newspaper and in one vernacular (Telugu) newspaper |
| Any website where displayed | www.neulandlabs.com |
| Whether it also displays official news releases | Official press releases are sent to the Stock Exchanges and the same is hosted on the website of the Company. |
| Whether the website displays the presentation made to the institutional investors and to the analysts | Yes |

5. **General Shareholders Information**

Annual General Meeting

**Date, Time and Venue:** Thirty Seventh Annual General Meeting of the Members of the Company will be held on July 7, 2021 at 10.30 a.m. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")

**Financial Year:** April to March

**Financial Calendar**

| Adoption of Quarterly results for the quarter ending | Tentative Dates |
|---|---|
| June 30, 2021 | August, 2021 |
| September 30, 2021 | November, 2021 |
| December 31, 2021 | February, 2022 |
| March 31, 2022 | May, 2022 |

**Date of Book Closure**

July 1, 2021 to July 7, 2021 (Both days inclusive)

**Listing on Stock Exchanges**

The Company's Shares are listed on the Stock Exchanges mentioned below and the Company has paid the Listing Fees to them for the financial year 2021-22.

| | |
|---|---|
| BSE Limited (BSE)<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street, Mumbai 400 001. | National Stock Exchange of India Limited (NSE)<br>Exchange Plaza, Bandra Kurla Complex,<br>Bandra (E), Mumbai 400 001. |

**Stock Code**

524558 on BSE and NEULANDLAB on NSE

**Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity**

The Company has not issued any GDRs/ADRs/warrants or any other convertible instruments.

**Employee Stock Options**

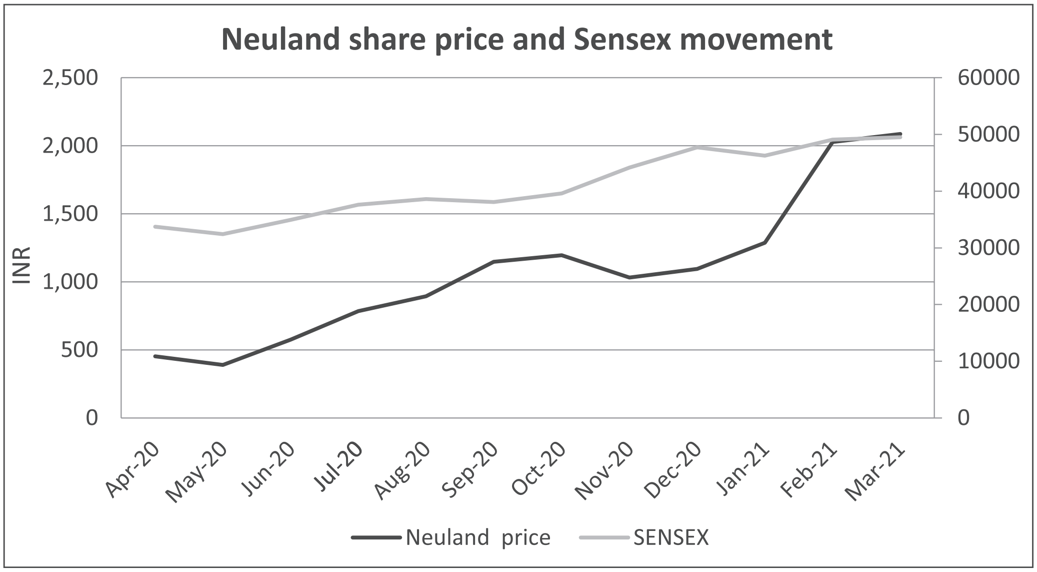
There are no outstanding stock options in the Company.

**International Securities Identification Number (ISIN) in NSDL & CDSL: INE794AO1010**

List of Credit Ratings: The Company does not have any debt instruments or fixed deposit programme or any scheme or proposal involving mobilization of funds.

**Share price movements 2020-21**

| | | BSE Limited (₹) | | | National Stock Exchange of India Limited (₹) | | |
|---|---|---|---|---|---|---|---|
| | Month | High | Low | Closing | High | Low | Closing |
| 2020 | April | 498.65 | 260.40 | 452.15 | 503.40 | 265.00 | 445.00 |
| | May | 458.00 | 382.50 | 390.40 | 459.85 | 377.00 | 390.25 |
| | June | 604.00 | 378.00 | 575.55 | 604.70 | 385.05 | 576.45 |
| | July | 794.95 | 514.00 | 784.05 | 794.90 | 509.65 | 781.05 |
| | August | 1,144.00 | 748.10 | 894.10 | 1,144.80 | 765.00 | 899.10 |
| | September | 1,202.90 | 876.00 | 1,148.05 | 1,201.50 | 875.00 | 1,147.70 |
| | October | 1,312.35 | 1,086.00 | 1,196.35 | 1,312.15 | 1,083.05 | 1,197.20 |
| | November | 1,335.35 | 986.00 | 1,031.45 | 1,335.00 | 981.70 | 1,031.30 |
| | December | 1,198.80 | 975.00 | 1,094.60 | 1,198.00 | 977.40 | 1,095.30 |
| 2021 | January | 1,465.00 | 1,081.00 | 1,286.65 | 1,464.95 | 1,080.00 | 1,289.25 |
| | February | 2,350.00 | 1,276.40 | 2,028.55 | 2,350.00 | 1,264.25 | 2,026.00 |
| | March | 2,150.40 | 1,870.00 | 2,087.95 | 2,149.40 | 1,865.25 | 2,089.20 |




**Registrar and Transfer Agents**

KFin Technologies Private Limited
Selenium Tower B, Plot 31-32,
Gachibowli, Financial District,
Nanakramguda, Hyderabad – 500 032.
Toll free number: 1- 800-309-4001
Email: einward.ris@kfintech.com
Website: https://www.kfintech.com https://ris.kfintech.com/

**Details of Unclaimed Securities Suspense Account**

In accordance with the requirement of Regulation 34(3) and Schedule V Part F of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Company reports the following details in respect of equity shares lying in the suspense account which were issued in dematerialised form pursuant to the public issue of the Company:

| Particulars | No. of Shareholders | No. of Shares |
|---|---|---|
| Aggregate no. of shareholders and the outstanding shares transferred to the suspense account | 9 | 1,000 |
| No. of shareholders who approached the Company for transfer of shares from suspense account during the year | 0 | 0 |
| No. of shareholders to whom shares were transferred from unclaimed shares suspense account during the year | 0 | 0 |
| Aggregate no. of shareholders and the outstanding shares in the suspense account lying as on March 31, 2021 | 9 | 1,000 |

The voting rights on the shares outstanding in the suspense account as on March 31, 2021 shall remain frozen till the rightful owner of such shares claims the shares. The aforementioned 1000 equity shares lying in suspense account along with all the interest accrued thereof till date.

**Details of Unclaimed Dividend Amount**

Pursuant to Sections 124 and 125 of the Companies Act 2013, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (“IEPF Rules”), dividend, if not claimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company, are liable to be transferred to the Investor Education and Protection Fund (“IEPF”). Further, all the shares in respect of which dividend has remained unclaimed for seven consecutive years or more from the date of transfer to unpaid dividend account shall also be transferred to IEPF Authority. The said requirement does not apply to shares in respect of which there is a specific order of Court, Tribunal or Statutory Authority, restraining any transfer of the shares.

Accordingly, the Company has during the year under review, transferred to IEPF, the unclaimed dividends, outstanding for seven years along with the shares of the Company, in respect of which dividend has not been claimed for seven consecutive years or more from the date of transfer to unpaid dividend account, the details of transfer to IEPF is as under:

| Financial year | Amount of unclaimed dividend Transferred (₹ lakh) | Number of shares transferred |
|---|---|---|
| 2012-2013 | 1,21,153 | 27,368 |

Further, pursuant to the provisions of Investor Education and Protection Fund (Uploading of Information regarding application money due for refund lying with Companies) Rules, 2012, the Company has also uploaded the aforementioned details with IEPF Authority and also on the website of the Company www.neulandlabs.com. The members who have a claim on above dividends and shares may claim the same from IEPF Authority by submitting an online application in web Form No. IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same, duly signed to the Company, along with requisite documents enumerated in the Form No. IEPF-5. No claims shall lie against the Company in respect of the dividend / shares so transferred.

Information in respect of unclaimed dividend pursuant to the provisions of Section 124 of the Companies Act, 2013 (corresponding provisions of Section 205A of the Companies Act, 1956), and the dates by which they need to be transferred is given below:

| Financial year | Date of declaration | Due date for transfer to IEPF |
|---|---|---|
| 2013-14 | June 24, 2014 | July 23, 2021 |
| 2014-15 | August 14, 2015 | September 12, 2022 |
| 2015-16 | August 12, 2016 | September 10, 2023 |
| 2016-17 | No dividend declared | Not Applicable |
| 2017-18 | No dividend declared | Not Applicable |
| 2018-19 | July 5, 2019 | August 4, 2026 |
| 2019-20 | February 11, 2020 | March 3, 2027 |
| 2020-21 | November 4, 2020 | December 8, 2027 |

Members should write to the Registrar and Transfer Agents of the Company, KFin Technologies Private Limited, or the Company, if they have not encashed the dividend warrants so far in respect of the aforesaid financial year(s), well in advance of the above due dates.

**Dematerialization mandatory for effecting share transfers**

Shares of the Company can be held and traded in electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialisation form. The Company's shares are available for trading in the depository system, of both the National Securities Depository Limited and the Central Depository Services (India) Limited. As on March 31, 2021, the total shares in demat form were 1,27,13,652 in both depositories accounting for 99.09% of the share capital of the Company.

**Share Transfer System**

Securities and Exchange Board of India has vide proviso to Regulation 40(1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, mandated that requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository, except in case of transmission or transposition of securities. In view of the same, the Company shall not process any requests for transfer of shares in physical mode. Shareholders who desire to demat their shares can get in touch with any Depository Participant having registration with Securities and Exchange Board of India to open a demat account and follow the procedure for share transfers.

**Rematerialisation of shares**

The Company has not received any requests for re-materialisation of shares during the year.

**Distribution of Shareholding as on March 31, 2021**

| No. of shareholders | No. of Shareholders* | % of shareholders | Total no. of shares | % of holding |
|---|---|---|---|---|
| 1 - 5000 | 21,156 | 94.40 | 13,06,113 | 10.18 |
| 5001 - 10000 | 583 | 2.60 | 4,32,074 | 3.37 |
| 10001 – 20000 | 318 | 1.42 | 4,56,034 | 3.55 |
| 20001 – 30000 | 121 | 0.54 | 2,99,621 | 2.34 |
| 30001 – 40000 | 63 | 0.28 | 2,25,025 | 1.75 |
| 40001 – 50000 | 31 | 0.14 | 1,42,491 | 1.11 |
| 50001 – 100000 | 65 | 0.29 | 4,58,774 | 3.58 |
| 100001 & Above | 75 | 0.33 | 95,09,757 | 74.12 |
| | **22,412** | **100.00** | **1,28,29,889** | **100.00** |

**Shareholding Pattern as on March 31, 2021**

| Category of shareholder | No. of Shareholders | No. of shares Held | % of Share holding |
|---|---|---|---|
| Promoters and Promoter Group* | 10 | 46,46,932 | 36.22 |
| Banks/ Financial Institutions Others | 1 | 500 | 0.00 |
| Foreign Corporate Bodies and Foreign Portfolio Investors- Corporate | 19 | 22,05,973 | 17.19 |
| Mutual Funds | 3 | 1,11,114 | 0.87 |
| Alternate Investment Funds | 2 | 5,68,142 | 4.43 |
| Bodies Corporate | 242 | 5,76,191 | 4.49 |
| Residential Individuals, NBFC, HUFs, Clearing Members, and others | 21,469 | 44,34,054 | 34.56 |
| NRIs/OCBs and Foreign Nationals | 665 | 2,59,615 | 2.02 |
| IEPF | 1 | 27,368 | 0.21 |
| **Total** | **22,412** | **1,28,29,889** | **100.00** |

**As per disclosure under Regulation 30(2) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, furnished by the Promoters / Promoter Group.*

**Plant Locations**

| Unit 1 | Unit 2 | Unit 3 | R&D Centre |
|---|---|---|---|
| Survey No.347, 473, 474, 490/2, Veerabhadraswamy Temple Road, Bonthapally Village, Jinnaram, Sangareddy District, 502313 Telangana | Plot No. 92-94, 257-259 IDA Pashamylaram Patancheru Mandal Sangareddy District, 502319, Telangana | Survey No 10, 10F/A/1, 10F/A/2, 10F/A/3, Gaddapotharam Village, Jinnaram, Sangareddy District, 502319, Telangana | Survey No.488G & 489A, Veerabhadra Swamy temple Road, Bonthapally Village, Jinnaram, Sangareddy District, 502313, Telangana |

**Service of documents through Electronic Mode**

The Notice of Thirty Seventh Annual General Meeting, along with the Annual Report of FY 2020-21, is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company or with the Depositories. Shareholders who wish to update or register their e-mail addresses with the Company or with the Depositories may inform their respective Depository Participants in case of shares held in electronic form and to the Registrar and Transfer Agent or the Company in case of physical holding of shares at the addresses given below in the Report.

**Remittance of Dividend through Electronic Mode**

The Company provides the facility for remittance of dividend, if any, to Shareholders through NECS (National Electronic Clearing Service) / RTGS (Real Time Gross Settlement) / NEFT (National Electronic Funds Transfer). Shareholders, who have not yet opted for remittance of dividend through electronic mode and wish to avail the same, are required to provide their bank details, including MICR (Magnetic Ink Character Recognition) and IFSC (Indian Financial System Code) to their respective Depository Participants where shares are held in the dematerialized form and the Registrar Transfer Agent in the physical form respectively.

**Bank Details**

Shareholders holding shares in the physical form are requested to advise the Registrar Transfer Agent of change in their address / mandate / bank details to facilitate better servicing. Shareholders are advised that their bank details, or where such details are not available, their addresses, as furnished by them to the Company or to the Depository participant, will be printed on the dividend warrants as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, as a measure of protection against fraudulent encashment.

**Permanent Account Number (PAN)**

Shareholders holding shares in the physical form are mandatorily required to furnish copy of PAN Card in the following transactions:

i) Transfer of shares – Transferee and Transferor

ii) Transmission of shares - Legal heirs' or Nominees'

iii) Transposition of shares - Joint holders' and

iv) In case of decease of shareholder - Surviving joint holders'

**Address for Correspondence**

i. Investor Correspondence: For transfer/ dematerialisation of shares, payment of dividend on shares, interest and any other query relating to the shares of the Company.

| For Shares held in Physical | For Shares held in Demat Form |
|---|---|
| Registrar and Transfer Agents<br>KFin Technologies Private Limited<br>Selenium Tower B, Plot 31-32,<br>Gachibowli, Financial District,<br>Nanakramguda, Hyderabad – 500 032.<br>Toll free number: 1- 800-309-4001<br>Email: einward.ris@kfintech.com<br>Website: https://www.kfintech.com<br>https://ris.kfintech.com/ | To the Depository Participant |

ii. Any query on Annual Report
Ms. Sarada Bhamidipati
Company Secretary
Neuland Laboratories Limited
Sanali Info Park, 'A' Block, Ground floor,
8-2-120/ 113, Road no.2,
Banjara Hills, Hyderabad - 500 034 (TG)
Phone : +91 40 6761 1600
Fax : +91 40 6761 1602
e-mail : ir@neulandlabs.com

iii. For investor grievance
e-mail : ir@neulandlabs.com

# CEO and CFO Certification

**[Pursuant to Regulation 17(8) of SEBI (LODR) Regulations, 2015]**

We, Davuluri Sucheth Rao, Vice Chairman & Chief Executive Officer and Deepak Gupta, Chief Financial Officer, to the best of our knowledge and belief, certify that:

a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended March 31, 2021 and that these statements:

    i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

    ii. together present a true and fair view of the Company's affairs and are in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under applicable laws and rules 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, illegal or violative of the Company's Code of Conduct.

c. We accept overall responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and 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 proposed to be taken to address these deficiencies.

d. We have indicated, wherever applicable, to the Auditors and the Audit Committee:

    i. that there are no significant changes in the internal control over financial reporting during the year;

    ii. that there are no significant changes in the accounting policies during the year; and

    iii. that there are no instances of significant fraud of which we have become aware of and which involve management or other employees who have significant role in the Company's internal control system over financial reporting.

For **Neuland Laboratories Limited**

**Davuluri Sucheth Rao**
Vice Chairman & Chief Executive Officer

For **Neuland Laboratories Limited**

**Deepak Gupta**
Chief Financial Officer

Place: Hyderabad
Date: May 11, 2021

---

# Declaration

As provided under Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Board Members and the Senior Management personnel have confirmed compliance with the Code of Conduct for Board of Directors & Senior Management Personnel for the year ended March 31, 2021.

For and on behalf of the board

**Dr. Davuluri Rama Mohan Rao**
Executive Chairman

May 11, 2021, Hyderabad

# Certificate on Corporate Governance

**(Pursuant to Schedule V (E) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)**

To
The Members of
**Neuland Laboratories Limited**
Sanali Info Park, A Block, Ground Floor,
8-2-120/113, Road No. 2, Banjara Hills,
Hyderabad, Telangana, 500034

We have examined the compliance of conditions of Corporate Governance by M/s. Neuland Laboratories Limited ('the Company') for the year ended 31st March, 2021 as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15 (2) of the Listing Regulations.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination 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 above-mentioned Listing Regulations.

We further 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 **P.S. Rao & Associates**
Company Secretaries

**P S Rao**
Partner Senior
C.P No.: 3829
UDIN: F010322C000275356

Place: Hyderabad
Date: 11.05.2021

# Practicing Company Secretary Certificate

**Under Schedule V(C)(10)(I) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**



To
The Members of
**Neuland Laboratories Limited**
Sanali Info Park, A Block, Ground Floor,
8-2-120/113, Road No. 2, Banjara Hills,
Hyderabad, Telangana, 500034

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of M/s. Neuland Laboratories Limited bearing CIN: L85195TG1984PLC004393 and having registered office situated at Sanali Info Park,'A' Block, Ground Floor, 8-2-120/113, Road No 2, Banjara Hills, Hyderabad-500034, Telangana, India (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with the Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company and the respective Directors, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on March 31, 2021 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority:

| S.No | Name of the Director | Designation | Director Identification Number |
|---|---|---|---|
| 1. | Dr. Davuluri Rama Mohan Rao | Whole Time Director (Executive Chairman) | 00107737 |
| 2. | Mr. Davuluri Sucheth Rao | Whole time Director (Vice Chairman & CEO) | 00108880 |
| 3. | Mr. Davuluri Saharsh Rao | Whole time Director (Vice Chairman & Managing Director) | 02753145 |
| 4. | Dr. Christopher M. Cimarusti | Non-Executive Director (Non-Independent Director) | 02872948 |
| 5. | Mr. Humayun Dhanrajgir | Non-Executive Director (Independent Director) | 00004006 |
| 6. | Mr. Parampally Vasudeva Maiya | Non-Executive Director (Independent Director) | 00195847 |
| 7. | Dr. William Gordon Mitchell | Non-Executive Director (Independent Director) | 02222567 |
| 8. | Mrs. Bharati Manohar Rao | Non-Executive Director (Independent Director) | 01892516 |
| 9. | Dr. Nirmala Srinivasa Murthy | Non-Executive Director (Independent Director) | 00734866 |
| 10. | Mr. Homi Rustam Khusrokhan | Non-Executive Director (Independent Director) | 00005085 |

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these, based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **P.S. Rao & Associates**
Company Secretaries

**P S Rao**
Partner Senior
C.P No.: 3829
UDIN: F010322C000275367

Place: Hyderabad
Date: 11.05.2021

# Secretarial Audit Report

## Form No. MR-3

**[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

(FOR THE FINANCIAL YEAR ENDED 31/03/2021)

To
The Members of
**Neuland Laboratories Limited**
Sanali Info Park, A Block, Ground Floor,
8-2-120/113, Road No. 2, Banjara Hills,
Hyderabad, Telangana, 500034

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Neuland Laboratories Limited., (hereinafter called 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, minutes 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, we hereby report that in our opinion , the Company has, during the audit period covering the financial year ended on 31st March, 2021 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 maintained by the Company for the financial year ended on 31st March, 2021 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made thereunder.

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

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 thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment.

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-

   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (Not applicable to the Company during the audit period)

   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. (Not applicable to the Company during the audit period)

   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2018; (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;

   (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, 2018; (Not applicable to the Company during the audit period)

   (i) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

vi. Other specifically applicable laws to the Company:
   (a) Drugs and Cosmetics Act, 1940
   (b) Narcotic Drugs and Psychotropic Substances Act, 1985
   (c) The Medicinal & Toilet Preparations (Excise Duties) Act, 1955
   (d) Drugs Price Control Order, 2013 and notifications made there under
   (e) Indian Boilers Act, 1923
   (f) The Payment of Wages Act, 1936
   (g) Employees Provident Funds and Miscellaneous Provisions Act, 1952
   (h) The Payment of Bonus Act, 1965
   (i) The water (Prevention and control of pollution) Act, 1974 and rules made thereunder
   (j) The Air (Prevention and control of pollution) Act, 1981 and rules made thereunder
   (k) The Environment Protection Act, 1986 and rules made thereunder
   (l) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

We have also examined compliance with the applicable clauses of the Secretarial Standards, as amended from time to time, issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., 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. There were changes in the composition of the Board of Directors during the period under review were carried out in compliance with the provisions of the Act.

- Adequate notice is given to all directors to schedule the 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.

- All the decisions at the Board Meetings and Committee Meetings have been carried out unanimously as recorded in the Minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

**We further report 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.

- there were no such specific events/ actions in pursuance of the above referred laws, rules, regulations, etc., having a major bearing on the company's affairs

For **P.S. Rao & Associates**
Company Secretaries

**P S Rao**
Partner Senior
C.P No.: 3829
UDIN: F010322C000275281

Place: Hyderabad
Date: 11.05.2021

Note: 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-A

To
The Members of
**Neuland Laboratories Limited**
Sanali Info Park, A Block, Ground Floor,
8-2-120/113, Road No. 2, Banjara Hills,
Hyderabad, Telangana, 500034

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial records 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 Account 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 **P.S. Rao & Associates**
Company Secretaries

**P S Rao**
Partner Senior
C.P No.: 3829

Place: Hyderabad
Date: 11.05.2021

# ANNEXURE-1

## NOMINATION AND REMUNERATION POLICY

The Remuneration/Compensation Committee of Neuland Laboratories Limited ("the Company"), consisting of three independent directors, was rechristened as Nomination and Remuneration Committee by the Board at its meeting held on February 5, 2014.

### 1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy are in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto ("The Act") and Clause 49 under the Listing Agreement.

The key objectives of the Committee are:

1.1 To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.

1.2 To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.

1.3 To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

1.4 To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

1.5 To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

1.6 To assist the Board in fulfilling its responsibilities.

### 2. DEFINITIONS

2.1 Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

2.2 Board means Board of Directors of the Company.

2.3 Directors mean Directors of the Company.

2.4 Key Managerial Personnel means
Chief Executive Officer or the
Managing Director or the Manager;
Whole-time director;
Chief Financial Officer;
Company Secretary; and
such other officer as may be prescribed.

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

### 3. ROLE OF COMMITTEE

3.1 The role of the Committee inter alia will be the following:

a. to formulate a criteria for determining qualifications, positive attributes and independence of a Director.

b. to recommend to the Board the appointment and removal of Senior Management

c. to carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.

d. to recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.

e. to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;

f. ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,

g. to devise a policy on Board diversity;

h. to develop a succession plan for the Board and to regularly review the plan;

Policy for appointment and removal of Director, KMP and Senior Management

3.2 Appointment criteria and qualifications

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.

b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

3.3 Term / Tenure

**a) Managing Director/Whole-time Director**

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

**b) Independent Director**

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 and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

At the time of appointment of Independent Director it shall be ensured that number of Boards on which such Independent Director serves is as may be prescribed under the Act and / or the Listing Agreement.

3.4 Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

3.5 Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

3.6 Retirement

The Directors, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

3.7 Policy relating to the Remuneration for the Managing / Whole-time Director, KMP and Senior Management Personnel

The Remuneration Policy of the Company for managerial personnel is primarily based on the following:

- Performance of the Company, its divisions and units
- Performance and potential of individual managers, and,
- External competitive environment

**General**

a. The remuneration/compensation/commission, etc., to the Managing / Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval at the time of appointment. The remuneration /compensation / commission etc. of the Managing / Whole Time Director shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

b. The remuneration and commission to be paid to the Whole-time Directors shall be in accordance with the provisions of the Act.

c. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which would be within the limits approved by the Shareholders in the case of Whole-time Directors and as per the Policy of the Company in case of others.

d. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

**Remuneration to Managing / Whole-time Director, KMP and Senior Management Personnel**

a. Fixed pay: The Managing / Whole-time Director, KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

b. Minimum Remuneration: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

c. Provisions for excess remuneration: If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without appropriate approvals, the Committee shall recommend the due course of action to the Board as and when required.

**Remuneration to Non- Executive / Independent Director**

a. Remuneration / Commission: The remuneration / commission shall be fixed as per the limits and conditions mentioned in the Articles of Association of the Company and the Act.

b. Sitting Fees: The Non- Executive / Independent Director may receive Sitting fees for attending meetings of Board or Committee thereof, provided that the amount of such fees shall not exceed the amount as may be prescribed by the Central Government from time to time.

c. Commission: Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

d. Stock Options: An Independent Director shall not be entitled to any stock option of the Company.

**4. MEMBERSHIP**

The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent. Minimum two members shall constitute a quorum for the Committee meeting. Membership of the Committee shall be disclosed in the Annual Report. Term of the Committee shall be continued unless terminated by the Board of Directors.

**5. CHAIRPERSON**

The Chairperson of the Committee shall be an Independent Director. The Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

**6. FREQUENCY OF MEETINGS**

The meeting of the Committee shall be held at such regular intervals as may be required.

**7. COMMITTEE MEMBERS' INTERESTS**

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

**8. SECRETARY**

The Company Secretary of the Company shall act as Secretary of the Committee.

**9. VOTING**

Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

In the case of equality of votes, the Chairman of the meeting will have a casting vote.

**10. NOMINATION COMMITTEE DUTIES**

The duties of the Committee in relation to nomination matters include:

a. Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;

b. Ensuring that on appointment to the Board, independent directors receive a formal letter of appointment in accordance with the guidelines provided under the Act;

c. Identifying and recommending Directors who are to be put forward for retirement by rotation.

d. Determining the appropriate size, diversity and composition of the Board;

e. Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;

f. Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;

g. Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;

h. Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.

i. Delegating any of its powers to one or more of its members or the Secretary of the Committee;

j. Recommend any necessary changes to the Board; and

k. Considering any other matters, as may be requested by the Board.

**11. REMUNERATION DUTIES**

The duties of the Committee in relation to remuneration matters include:

a. to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.

b. to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.

c. to delegate any of its powers to one or more of its members or the Secretary of the Committee.

d. to consider any other matters as may be requested by the Board.

e. Professional indemnity and liability insurance for Directors and senior management.

**12. MINUTES OF COMMITTEE MEETING**

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

# INDEPENDENT AUDITOR'S REPORT



To the Members of **Neuland Laboratories Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of Neuland Laboratories Limited ("the Company"), which comprise the standalone Balance Sheet as at March 31, 2021, and the standalone Statement of Profit and Loss (including other comprehensive income), the standalone Statement of Changes in Equity and the standalone Statement of Cash Flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "standalone financial statements").

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 Companies Act, 2013 ("the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, the profit including other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| | Key Audit Matter | How the KAM was addressed in our audit |
|---|---|---|
| 1 | **Impairment of Goodwill**<br>Refer Note 36 to the standalone financial statements.<br><br>Goodwill is tested for impairment by the Management on an annual basis as required by IND AS 36 - Impairment of Asset. In determining the fair value/ value in use of business reporting units, the Company has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates.<br><br>As at March 31, 2021, Goodwill represents 21.11% of the Company's total assets and 35.74% of the Company's total shareholder's equity. The Company has performed its annual impairment test of goodwill and determined that there is no impairment required to be done.<br><br>Due to significance of the above matter and involvement of the significant management judgement in estimation of fair value/ value in use, we have considered this as a key audit matter. | Our audit procedures in respect of this area included:<br>1. Obtained an understanding from the management with respect to process and controls followed by the Company to perform annual impairment test related to goodwill.<br>2. Assessed the Company's internal controls over preparation of annual budgets and future forecasts for the business as a whole and the approach followed for annual impairment test and key assumptions applied.<br>3. Assessed the reasonableness of the assumptions used and appropriateness of the valuation methodology applied and tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate.<br>4. Assessed reasonableness of the future revenue and margins, the historical accuracy of the Company's estimates and its ability to produce accurate long-term forecasts.<br>5. Compared the future operating cash flow forecasts with the business plan and budgets approved by the Board.<br>6. Assessed and validated the adequacy and appropriateness of the disclosures made by the management in the standalone financial statements.<br>7. Verification of compliance with Ind AS 36 - Impairment of Assets. |

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

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

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

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

## Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity 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. 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 Standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

We give in "Annexure A" a detailed description of Auditor's responsibilities for Audit of the Standalone Financial Statements.

## Report on Other Legal and Regulatory Requirements

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

2. As required by Section 143(3) of the Act, we report that:

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

    (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flow 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, 2021 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.

    (f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".

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

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 39 to the standalone financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

3. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Company to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**
Partner
Membership No. 214198
UDIN: 21214198AAAABY5427

Place: Hyderabad, INDIA
Date : May 11,2021

# ANNEXURE A

## TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**
Partner
Membership No. 214198
UDIN: 21214198AAAABY5427

Place: Hyderabad, INDIA
Date : May 11,2021

# ANNEXURE B

**ANNEXURE B TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED FOR THE YEAR ENDED MARCH 31, 2021**

*[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]*

i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant and Equipment).

(b) Fixed assets (Property, Plant and Equipment) have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) The title deeds of all the immovable properties, (which are included under the head 'Property, plant and equipment') are held in the name of the company, except for the following property which according to the information and explanations given to us, are under dispute pending with Honorable High Court of Telangana as to the ownership of the property, as stated in Note 39(c) to the financial statements:

| Nature of Property | Whether Leasehold/ Freehold | Gross Block as at March 31, 2021 | Net Block as at March 31, 2021 | Remarks |
|---|---|---|---|---|
| Land | Freehold | 3.30 lakhs | 3.30 lakhs | The title deeds of the land are in the name of Neuland Health Sciences Private Limited, erstwhile Company that was merged with the company. Further, the title deed of the land is under dispute in respect of which we have been informed by the management of the company that they have filed a writ petition with Honorable High Court of Telangana. |

ii. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on verification between the physical stock and the book records.

iii. The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships (LLP) or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the 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 Act in respect of investments made. Further in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of loans, guarantees and security made.

v. In our opinion and according to the information and explanations given to us, 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. Accordingly, the provisions of clause 3(v) of the Order are not applicable.

vi. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant as specified by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

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 regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and any other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of customs, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us and the records of the company examined by us there are no dues of income tax, goods and service tax, customs duty, cess and any other statutory dues which have not been deposited on account of disputes, except for the following:

| Name of the statute | Nature of dues | Amount Rs. | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Income Tax Act, 1961 | Income Tax | 693.33 lakhs | FY 2003-2004 | Hon'ble High court of Telangana |
| Income Tax Act, 1961 | Income Tax | 19.01 lakhs | FY 2011-2012 | Income Tax Appellate Tribunal |

viii. In our opinion and according to the information and explanations given to us, The Company has not defaulted in repayment of loans or borrowings to any financial institution or bank during the year. Further, the Company has no loans or borrowings payable to government and does not have any outstanding debentures during the year.

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions stated in paragraph 3 (ix) of the Order are not applicable to the Company.

x. During the course of our audit, 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, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.

xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.

xiii. According to information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions stated in paragraph 3 (xiv) of the Order are not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.

xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi) of the Order are not applicable to the Company.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**
Partner
Membership No. 214198
UDIN: 21214198AAAABY5427

Place: Hyderabad, INDIA
Date : May 11,2021

# ANNEXURE C

## ANNEXURE C TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED

*[Referred to in paragraph (2)(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]*

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

We have audited the internal financial controls with reference to standalone financial statements of Neuland Laboratories Limited ("the Company") as of March 31, 2021 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

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

### Auditors' Responsibility

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

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

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

### Meaning of Internal Financial Controls with Reference to standalone Financial Statements

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

### Inherent Limitations of Internal Financial Controls with Reference to Standalone Financial Statements

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

### Opinion

In our opinion, the Company has, in all material respects, internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**
Partner
Membership No. 214198
UDIN: 21214198AAAABY5427

Place: Hyderabad, INDIA
Date : May 11,2021

# Standalone Balance Sheet

as at March 31, 2021

(₹ in lacs)

| | | Notes | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|---|
| I. | **ASSETS** | | | |
| | **Non-current assets** | | | |
| | Property, plant and equipment | 3 | 40,172.16 | 33,748.77 |
| | Right-of-use assets | | 1,224.37 | 384.39 |
| | Capital work-in-progress | | 1,725.02 | 2,375.12 |
| | Investment property | 34 | 1,890.64 | 2,981.39 |
| | Goodwill | 36 | 27,946.10 | 27,946.10 |
| | Other intangible assets | 4 | 349.75 | 195.76 |
| | Financial assets | | | |
| | (i) Investments | 5 | 59.81 | 51.65 |
| | (ii) Other financial assets | 6 | 580.05 | 907.85 |
| | Income tax assets (net) | | 609.25 | 1,352.76 |
| | Other non-current assets | 7 | 2,977.16 | 1,647.16 |
| | **Total non-current assets** | | **77,534.31** | **71,590.95** |
| | **Current assets** | | | |
| | Inventories | 8 | 24,760.77 | 21,954.74 |
| | Financial assets | | | |
| | (i) Investments | 5 | 645.57 | 750.00 |
| | (ii) Trade receivables | 9 | 21,773.31 | 18,988.99 |
| | (iii) Cash and cash equivalents | 10 | 111.59 | 991.53 |
| | (iv) Bank balances other than (iii) above | 11 | 1,696.37 | 3,577.71 |
| | (v) Other financial assets | 6 | 309.31 | 356.68 |
| | Other current assets | 7 | 5,520.81 | 4,763.78 |
| | **Total current assets** | | **54,817.73** | **51,383.43** |
| | **Total assets** | | **132,352.04** | **122,974.38** |
| II. | **EQUITY AND LIABILITIES** | | | |
| | **Equity** | | | |
| | Equity share capital | 12 | 1,290.05 | 1,290.05 |
| | Other equity | 13 | 76,898.11 | 69,264.47 |
| | **Total equity** | | **78,188.16** | **70,554.52** |
| | **Liabilities** | | | |
| | **Non-current liabilities** | | | |
| | Financial liabilities | | | |
| | (i) Borrowings | 14 | 8,813.26 | 7,737.26 |
| | (ii) Lease liability | | 958.60 | 257.79 |
| | Provisions | 15 | 909.65 | 1,218.46 |
| | Deferred tax liabilities (net) | 16 | 5,899.66 | 4,695.70 |
| | Other non-current liabilities | 17 | 286.48 | 2,311.48 |
| | **Total non-current liabilities** | | **16,867.65** | **16,220.69** |
| | **Current liabilities** | | | |
| | Financial liabilities | | | |
| | (i) Borrowings | 14 | 5,698.44 | 16,817.26 |
| | (ii) Lease liability | | 253.19 | 156.63 |
| | (iii) Trade payables | | | |
| | - total outstanding dues of micro and small enterprises | 18 | 856.79 | 130.56 |
| | - total outstanding dues of creditors other than micro and small enterprises | | 14,817.84 | 11,869.28 |
| | (iv) Other financial liabilities | 19 | 8,967.85 | 4,600.16 |
| | Provisions | 15 | 64.26 | 227.31 |
| | Other current liabilities | 17 | 6,637.86 | 2,397.97 |
| | **Total current liabilities** | | **37,296.23** | **36,199.17** |
| | **Total liabilities** | | **54,163.88** | **52,419.86** |
| | **Total equity and liabilities** | | **132,352.04** | **122,974.38** |

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

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 11, 2021

Place: Hyderabad
Date: May 11, 2021

# Standalone Statement of Profit and Loss

for the year ended March 31, 2021

(₹ in lacs)

| | | Notes | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|---|---|
| **I.** | **Income** | | | |
| | Revenue from operations | 20 | 93,691.31 | 76,271.08 |
| | Other income | 21 | 1,609.49 | 388.57 |
| | **Total income (I)** | | **95,300.80** | **76,659.65** |
| **II.** | **Expenses** | | | |
| | Cost of materials consumed | 22 | 43,965.70 | 39,135.59 |
| | Changes in inventories of finished goods and work-in-progress | 23 | (124.45) | (1,115.75) |
| | Employee benefits expense | 24 | 14,402.20 | 11,848.19 |
| | Finance costs | 25 | 1,789.75 | 2,157.14 |
| | Depreciation and amortisation expenses | 3 & 4 | 3,967.85 | 3,127.63 |
| | Manufacturing expenses | 26 | 12,028.58 | 9,759.63 |
| | Other expenses | 27 | 8,774.96 | 6,497.64 |
| | **Total expenses (II)** | | **84,804.59** | **71,410.07** |
| **III.** | **Profit before tax (I-II)** | | **10,496.21** | **5,249.58** |
| **IV.** | **Tax expense** | 28 | | |
| | Current tax | | 1,248.29 | - |
| | Deferred tax | | 1,218.43 | 3,661.57 |
| | **Total tax expense (IV)** | | **2,466.72** | **3,661.57** |
| **V.** | **Profit for the year (III-IV)** | | **8,029.49** | **1,588.01** |
| **VI.** | **Other comprehensive income** | | | |
| | **Items that will not be reclassified to profit or loss** | | | |
| | Re-measurement loss on defined benefit plans | | (57.45) | (99.76) |
| | Equity instruments through other comprehensive income | | (96.26) | (4.09) |
| | Income tax relating to items that will not be reclassified to profit or loss | | 14.46 | 25.11 |
| | **Total other comprehensive income for the year, net of tax (VI)** | | **(139.25)** | **(78.74)** |
| **VII.** | **Total comprehensive income for the year (V+VI)** | | **7,890.24** | **1,509.27** |
| **VIII.** | **Earnings per equity share [EPES] (in absolute ₹ terms)** | 29 | | |
| | Nominal value per equity share | | 10 | 10 |
| | Basic EPES (in ₹) | | 62.58 | 12.38 |
| | Diluted EPES (in ₹) | | 62.58 | 12.38 |

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

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 11, 2021

Place: Hyderabad
Date: May 11, 2021

# Standalone Statement of Changes in Equity

as at March 31, 2021

## A. Equity share capital

(₹ in lacs)

| | Notes | Number of shares | Amount * |
|---|---|---|---|
| **As at 1 April 2019** | | **12,829,889** | **1,290.05** |
| Changes in equity share capital during the year | 12 | - | - |
| **As at 31 March 2020** | | **12,829,889** | **1,290.05** |
| Changes in equity share capital during the year | | - | - |
| **As at 31 March 2021** | | **12,829,889** | **1,290.05** |

** includes ₹7.06 received towards forfeiture of equity shares during the earlier years*

## B. Other equity

(₹ in lacs)

| | Reserves and Surplus | | | | | Other Comprehensive Income | | Total equity attributable to equity holders of the Company |
|---|---|---|---|---|---|---|---|---|
| | Capital reserve | Securities premium | General reserve | Revaluation reserve | Retained earnings | FVOCI - equity instruments | Remeasurement of defined benefit plans | |
| Balance as at 1 April 2019 | 3.32 | 49,777.35 | 2,789.65 | 83.89 | 15,566.96 | 44.27 | 2.42 | 68,267.86 |
| Profit for the year | - | - | - | - | 1,588.01 | - | - | 1,588.01 |
| Dividend paid (including dividend distribution tax) | - | - | - | - | (494.95) | - | - | (494.95) |
| Transitional impact on adoption of IND AS 116 - Leases | - | - | - | - | (17.71) | - | - | (17.71) |
| Other comprehensive income (net of tax) | - | - | - | - | - | (4.09) | (74.65) | (78.74) |
| **Balance as at 31 March 2020** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **16,642.31** | **40.18** | **(72.23)** | **69,264.47** |
| Profit for the year | - | - | - | - | 8,029.49 | - | - | 8,029.49 |
| Dividend paid | - | - | - | - | (256.60) | - | - | (256.60) |
| Other comprehensive income (net of tax) | - | - | - | - | - | (96.26) | (42.99) | (139.25) |
| **Balance as at 31 March 2021** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **24,415.20** | **(56.08)** | **(115.22)** | **76,898.11** |

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

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 11, 2021

Place: Hyderabad
Date: May 11, 2021

# Standalone Statement of Cash Flows

for the year ended March 31, 2021

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 10,496.21 | 5,249.58 |
| **Adjustments to reconcile profit before tax to net cash flow:** | | |
| Depreciation and amortisation expenses | 3,967.85 | 3,127.63 |
| Interest income | (166.73) | (216.19) |
| Gain on sale of property, plant and equipment, net | - | (39.06) |
| Loss/(Gain) on sale of investment properties, net | (1,309.25) | - |
| Finance costs | 1,789.75 | 2,157.14 |
| Unrealised foreign exchange gain/(loss), net | (135.12) | 39.55 |
| Unrealised gain on forward contracts | - | (80.33) |
| Provision towards doubtful trade receivables | 385.33 | 707.94 |
| Provision for employee benefits | (514.88) | 117.10 |
| **Operating cash flows before working capital changes** | **14,513.16** | **11,063.36** |
| **Movements in working capital:** | | |
| Changes in inventories | (2,806.03) | (2,689.32) |
| Changes in trade receivables | (3,007.49) | (2,949.58) |
| Changes in other financial assets | 326.78 | (627.04) |
| Changes in other assets | (895.03) | (237.06) |
| Changes in trade payables | 3,682.18 | (488.83) |
| Changes in other financial liabilities | 3,018.32 | 1,126.00 |
| Changes in other liabilities | 4,614.89 | 935.47 |
| **Cash generated from operating activities** | **19,446.78** | **6,133.00** |
| Income-taxes paid (net) | (519.25) | (469.86) |
| **Net cash generated from operating activities (A)** | **18,927.53** | **5,663.14** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and other intangible assets | (10,538.82) | (4,879.67) |
| Proceeds from sale of property, plant and equipment | 0.85 | 78.00 |
| Movement in other bank balances | 1,881.34 | (587.04) |
| Interest income received | 215.12 | 520.74 |
| **Net cash used in investing activities (B)** | **(8,441.51)** | **(4,867.97)** |
| **Cash flows from financing activities** | | |
| Proceeds from long-term borrowings | 3,636.46 | 3,136.76 |
| Repayment of long-term borrowings | (1,459.17) | (2,235.22) |
| Proceeds from/(repayment of) short-term borrowings (net) | (11,143.58) | 1,635.35 |
| Interest paid on borrowings | (1,791.52) | (2,396.83) |
| Dividend paid (including dividend distribution tax) | (256.60) | (494.95) |

*Table continued to next page*

# Standalone Statement of Cash Flows

as at March 31, 2021

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Payment of principal portion of lease liabilities | (253.53) | (153.34) |
| Payment of interest portion of lease liabilities | (98.02) | (39.63) |
| **Net cash generated from financing activities (C)** | **(11,365.96)** | **(547.86)** |
| **Net increase in cash and cash equivalents during the year (A + B + C)** | **(879.94)** | **247.31** |
| **Cash and cash equivalents at the beginning of the year** | **991.53** | **744.22** |
| **Cash and cash equivalents at the end of the year (Note 1)** | **111.59** | **991.53** |

## Note 1:

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Cash and cash equivalents includes** | | |
| Cash on hand | 3.18 | 2.73 |
| Balances with banks in current accounts | 77.05 | 789.31 |
| Balances with banks in cash credit accounts | 31.36 | 199.49 |
| | **111.59** | **991.53** |

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

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: May 11, 2021

Place: Hyderabad
Date: May 11, 2021

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## Corporate information

Neuland Laboratories Limited ("the Company") is a public limited company incorporated and domiciled in India. The company's registered office is at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No 2, Banjara Hills, Hyderabad – 500 034. The shares of the company are listed on two recognised stock exchanges of India viz. the National Stock Exchange of India Limited and BSE Limited. The company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets.

The Board of Directors approved the standalone financial statements for the year ended March 31, 2021 and authorised for issue on May 11, 2021.

## 1. Basis of preparation of standalone financial statements

Statement of Compliance with Ind AS

These standalone financial statements of the company have been prepared in accordance with the Indian Accounting Standards ("Ind AS") as notified under Section 133 of the Companies Act 2013 ("the Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules 2015, as amended, issued by the Ministry of Corporate Affairs ('MCA').

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These standalone financial statements have been prepared for the company as a going concern on the basis of relevant Ind AS that are effective at the company's annual reporting date 31 March 2021.

These standalone financial statements have been prepared on the historical cost convention and on an accrual basis except for the following material items in the balance sheet:

- Certain financial assets and liabilities which are measured at fair value;
- Net defined benefit assets / (liability) are measured at fair value of plan assets, less present value of defined benefit obligations.

### (i) Use of estimates and judgements

The preparation of standalone financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the standalone financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the standalone financial statements in the period in which changes are made and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the standalone financial statements is included in the following notes:

- Note (c), (e), (f) and (g) - Useful lives of property, plant and equipment, investment properties, goodwill and other intangible assets;
- Note (h) - Impairment;
- Note (i) - Financial instruments;
- Note (o) - Employee benefits;
- Note (s) - Provisions, contingent liabilities and contingent assets; and
- Note (q) - Income taxes

### (ii) Summary of significant accounting policies

The standalone financial statements have been prepared using the accounting policies and measurement basis summarized below.

### a. Functional currency

The standalone financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the company. All financial information presented in Indian rupees has been rounded to the nearest lakhs, unless otherwise stated.

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

**b. Current and non-current classification**

All the 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 Division II – Ind AS Schedule III to the Act.

The company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is classified as current when it is:

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

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Current assets / liabilities include the current portion of non-current assets / liabilities respectively. All other assets / liabilities including deferred tax assets and liabilities are classified as non-current.

**c. Property, plant and equipment (PPE)**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, taxes (other than those subsequently recoverable from tax authorities), borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the company and the cost of item can be measured reliably. If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances. Capital work- in- progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date.

Depreciation on property, plant and equipment is calculated on pro-rata basis on straight-line method using the useful lives of the assets estimated by management. The useful life is as follows:

| Asset | Useful Life (in years) |
|---|---|
| Buildings | 25 & 30 |
| Plant and equipment | 7 to 20 |
| Office equipment | 2 to 5 |
| Furniture and fixtures | 2 to 10 |
| Vehicles | 4 & 8 |
| Computers | 3 & 6 |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021



Depreciation on additions / disposals is provided on a pro-rata basis i.e. from / upto the date on which asset is ready for use / disposed-off.

The useful lives are based on historical experience with similar assets as well as anticipation of future events. The residual values are not more than 5% of the original cost of the assets. The residual values, useful lives and method of depreciation of are reviewed at each financial year-end and adjusted prospectively, if appropriate.

**d. Leases :**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straightline method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

The Company has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Company as a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

periodic rate of return on the lessor's net investment in the lease. When the Company is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

**e. Investment properties**

Property that is held for long term rental yields or for capital appreciation or for both, and that is not occupied by the company, is classified as investment property. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. When the use of a property changes from owner occupied to investment property, the property is reclassified as investment property at it's carrying amount on the date of reclassification.

**f. Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in other comprehensive income and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**g. Other intangible assets**

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment. These are derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from disposal of the intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the assets are disposed off.

Intangible assets are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The other intangible assets comprise of computer software expenditure and are amortized over a period of three years. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

# Notes to Standalone Financial Statements

for the year ended March 31, 2021



**h. Impairment**

Impairment of non-financial assets

The carrying amounts of the company's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised in the statement of profit or loss if the estimated recoverable amount of an asset or its cash generating unit is lower than its carrying amount. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

Impairment of financial assets

In accordance with Ind AS 109, the company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on financial assets measured at amortised cost.

Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime expected credit losses. For all other financial assets, ECL are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL.

Loss allowance for financial assets measured at amortised cost are deducted from gross carrying amount of the assets.

**i. Financial instruments**

Initial Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value and, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- fair value through other comprehensive income ("FVTOCI") – debt investment;
- FVTOCI – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the company changes its business model for managing financial assets.

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Other Income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss.

FVTOCI – debt investment

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method

Equity investment

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVTOCI – equity investment). This election is made on an investment by- investment basis.

If the company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, including foreign exchange gain or loss and excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to profit or loss, even on sale of investment. However, the company may transfer the cumulative gain or loss within equity. Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit or loss.

FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss. Any gain or loss on derecognition is also recognised in statement of profit or loss.

# Notes to Standalone Financial Statements

for the year ended March 31, 2021



De-recognition

Financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the company has transferred its rights to receive cash flows from the asset.

Financial liabilities

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

The company uses derivative financial instruments such as forward exchange contracts and interest rate risk exposures to hedge its risk associated with foreign currency fluctuations and changes in interest rates. Derivatives are initially measured at fair value and subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of profit or loss, since the company's hedging instruments did not qualify for hedge accounting in accordance with the Ind-AS 39. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposit held at call with financial institutions, other short - term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Dividend distribution to equity holders of the Company

The company recognises a liability to make dividend distributions to equity holders of the company when the distribution is authorised and the distribution is no longer at the discretion of the company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**j. Inventories**

Basis of valuation:

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of engineering spares (such as machinery spare parts) and consumables or consumed as indirect materials in the manufacturing process.

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

Method of Valuation:

The Cost of raw materials, stores and consumables has been determined by using weighted average cost method and comprises all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventories to their present location and condition.

The Cost of finished goods and work-in-progress includes direct labour and an appropriate share of fixed and variable production overheads and excise duty as applicable. Fixed production overheads are allocated on the basis of normal capacity of production facilities. Cost is determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**k. Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are translated into the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the fair value was measured.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise

**l. Investments in the nature of equity in subsidiaries**

The company has elected to recognise its investments in equity instruments in subsidiaries at cost in the separate financial statements in accordance with the option available in Ind AS 27, 'Separate Financial Statements'. The company regardless of the nature of its involvement with an entity (the investee), determines whether it is a parent by assessing whether it controls the investee. The company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the company controls an investee if and only if it has all the following:

(a) power over the investee;

(b) exposure, or rights, to variable returns from its involvement with the investee and

(c) the ability to use its power over the investee to affect the amount of the returns.

Investments are accounted in accordance with Ind AS 105 when they are classified as held for sale. On disposal of investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss

**m. Revenue recognition**

Revenue from contract with customers

The company derives revenues primarily from sale of active pharmaceutical ingredients and contract research services. Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those products or services.

The company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

i. the customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs; or

ii. the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

iii. the company's performance does not create an asset with an alternative use to the company and an entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue in excess of invoicing are classified as contract asset while collections in excess of revenues are classified as contract liabilities.

In respect of contracts involving bill-and-hold arrangements, the company determines whether the control of the underlying products have been transferred to the customer. For the purpose of determining whether such control is transferred, the entity considers the following requirements as required by Ind AS 115:

i. The reason for the bill-and-hold arrangement is substantive (i.e. the physical possession with the entity is pursuant to the customer's explicit request);

ii. The product is separately identified as belonging to the customer;

iii. The product is ready for physical transfer to the customer; and

iv. The entity does not have the ability to use the product or to direct it to another customer.

The entity recognizes revenue in respect of bill-and-hold arrangements only when all of the aforementioned requirements are met. Further, at the time of such recognition, the entity also determines whether there are any material unsatisfied performance obligations and determines the portion of the aggregate consideration, if any, that needs to be allocated and deferred.

The company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Other operating revenue - Export incentives

Export Incentives under various schemes are recognised in the year of export in accordance with their respective underlying scheme at fair value of consideration received or receivable.

Other income - Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Other income - Dividend income

Dividend income is recognised when the company's right to receive the payment is established, which is generally, when shareholders approve the dividend.

**n. Borrowing costs**

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

**o. Retirement and other employee benefits**

Defined contribution plan

The company's contributions to defined contribution plans are recognised as an expense as and when the services are received from the employees entitling them to the contributions.

Defined benefit plan

The liability in respect of defined benefit plans is calculated using the projected unit credit method with actuarial valuations being carried out at the end of each annual reporting period. The company recognises the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through remeasurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The effect of any plan amendments are recognised in the statement of profit and loss.

**p. Government grants**

The company recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in-relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to reimbursement of expenses incurred are recognized in statement of profit and loss as other income.

**q. Taxes**

Tax expense recognized in statement of profit or loss consists of current and deferred tax except to the extent that it relates to items recognised in OCI or directly in equity, in which case it is recognised in OCI or directly in equity respectively.

Current income tax, assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) enacted in India by using tax rates and the tax laws that are enacted at the reporting date. Current tax assets and tax liabilities are offset where the company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off corresponding current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the company.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

**r. Research and development expense**

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as expense when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if:

- The product or the process is technically and commercially feasible;
- Future economic benefits are probable and ascertainable;
- The company intends to and has sufficient resources, technical and financial, to complete development of the product and has the ability to use or sell the asset; and
- Development costs can be measured reliably.

Where the aforementioned criteria are not met, the expenditure is transferred to statement of profit and loss.

# Notes to Standalone Financial Statements

for the year ended March 31, 2021



**s. Provisions, contingent liabilities and contingent assets**

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the company; or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

**t. Exceptional Items**

Exceptional items are transactions which due to their size or incidence are separately disclosed to enable a full understanding of the company's financial performance. Items which may be considered exceptional are significant restructuring charges, gains or losses on disposal of investments in subsidiaries, impairment losses/write down in value of investment in subsidiaries, significant disposal of fixed assets etc.

**u. Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential ordinary shares

**(iii)** On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:

- Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current.
- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
- Specified format for disclosure of shareholding of promoters.
- Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.
- If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc

Statement of profit and loss:

- Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the standalone financial statements.

  The amendments are extensive and the Company will evaluate the same to give effect to them as required by law.

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 3. Property, plant and equipment

(₹ in lacs)

| | Freehold land | Buildings | Plant and equipment | Office equipment | Furniture and fixtures | Vehicles | Computers | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross carrying value (at deemed cost)** | | | | | | | | |
| **As at 1 April 2019** | **1,074.28** | **8,531.26** | **18,251.03** | **55.29** | **151.72** | **679.06** | **444.01** | **29,186.65** |
| Additions | - | 3,521.68 | 9,685.89 | 6.74 | 15.84 | 209.11 | 170.92 | 13,610.18 |
| Disposals/retirement | - | - | (55.19) | - | - | (164.40) | - | (219.59) |
| **Balance as at 31 March 2020** | **1,074.28** | **12,052.94** | **27,881.73** | **62.03** | **167.56** | **723.77** | **614.93** | **42,577.24** |
| Additions | - | 1,695.67 | 7,824.30 | 17.51 | 53.26 | 203.75 | 185.45 | 9,979.94 |
| Disposals/retirement | - | - | (127.02) | (0.40) | - | (68.68) | (3.26) | (199.36) |
| **Balance as at 31 March 2021** | **1,074.28** | **13,748.61** | **35,579.01** | **79.14** | **220.82** | **858.84** | **797.12** | **52,357.82** |
| **Accumulated depreciation** | | | | | | | | |
| **Upto 1 April 2019** | **-** | **807.72** | **4,949.27** | **19.62** | **33.61** | **166.19** | **169.62** | **6,146.03** |
| Charge for the year | - | 409.25 | 2,091.48 | 6.18 | 12.36 | 225.34 | 118.49 | 2,863.10 |
| Adjustments for disposals/retirement | - | - | (51.71) | - | - | (128.95) | - | (180.66) |
| **Balance as at 31 March 2020** | **-** | **1,216.97** | **6,989.04** | **25.80** | **45.97** | **262.58** | **288.11** | **8,828.47** |
| Charge for the year | - | 507.40 | 2,680.68 | 11.05 | 19.39 | 186.69 | 123.15 | 3,528.36 |
| Adjustments for disposals/retirement | - | - | (115.04) | (0.36) | - | (52.67) | (3.10) | (171.17) |
| **Balance as at 31 March 2021** | **-** | **1,724.37** | **9,554.68** | **36.49** | **65.36** | **396.60** | **408.16** | **12,185.66** |
| **Net carrying value as at 31 March 2020** | **1,074.28** | **10,835.97** | **20,892.69** | **36.23** | **121.59** | **461.19** | **326.82** | **33,748.77** |
| **Net carrying value as at 31 March 2021** | **1,074.28** | **12,024.24** | **26,024.33** | **42.65** | **155.46** | **462.24** | **388.96** | **40,172.16** |

*Note:*

1. *Freehold land includes land aggregating to ₹3.30, held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in Note No. 39(c).*
2. *Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings*
3. *Refer note 35 for details of expenditure during construction period transferred from capital work-in-progress to property, plant and equipment.*
4. *Depreciation and amortisation expenses as per Statement of Profit & Loss includes ₹310.99 towards depreciation on Right to use assets*

## 4. Other intangible assets

(₹ in lacs)

| | Computer Software | Total |
|---|---|---|
| **Gross carrying value (at deemed cost)** | | |
| As at 1 April 2019 | 409.75 | 409.75 |
| Additions | 113.98 | 113.98 |
| Balance as at 31 March 2020 | 523.73 | 523.73 |
| Additions | 282.48 | 282.48 |
| **Balance as at 31 March 2021** | **806.21** | **806.21** |
| **Accumulated amortization** | | |
| Upto 1 April 2019 | 229.05 | 229.05 |
| Charge for the year | 98.92 | 98.92 |
| Balance as at 31 March 2020 | 327.97 | 327.97 |
| Charge for the year | 128.49 | 128.49 |
| **Balance as at 31 March 2021** | **456.46** | **456.46** |
| **Net carrying value as at 31 March 2020** | **195.76** | **195.76** |
| **Net carrying value as at 31 March 2021** | **349.75** | **349.75** |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 5. Investments

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| **Investments in unquoted equity shares (fully paid up, unless stated otherwise)** | | |
| In subsidiaries (carried at cost) | | |
| 300,000 (31 March 2020: 300,000) equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding | 15.37 | 15.37 |
| 1,000 (31 March 2020: 1,000) equity shares of USD 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding | 0.45 | 0.45 |
| In others (carried at fair value through profit and loss) | | |
| 2,200 (31 March 2020: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited | 2.20 | 2.20 |
| 209,136 (31 March 2020: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited | 20.91 | 20.91 |
| **Investments in unquoted government securities (carried at fair value through profit and loss)** | 1.61 | 1.61 |
| **Investment in quoted mutual funds (carried at at fair value through other comprehensive income)** | | |
| 100,000 (31 March 2020: 100,000) units of ₹10 each in SBI Mutual Fund | 19.27 | 11.11 |
| **Total non-current investments** | **59.81** | **51.65** |
| Aggregate value of unquoted investments | 40.54 | 40.54 |
| Aggregate value of quoted investments | 19.27 | 11.11 |
| Aggregate amount of impairment in value of investments | - | - |
| **Current** | | |
| **Investment in unquoted equity shares (fully paid up, unless stated otherwise)** | | |
| In others (carried at at fair value through other comprehensive income) | | |
| 402,000 (31 March 2020: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited | 645.57 | 750.00 |
| Note: | | |
| Aggregate value of unquoted investments | 645.57 | 750.00 |
| Aggregate value of quoted investments | - | - |
| Aggregate amount of impairment in value of investments | 104.43 | - |

## 6. Other financial assets

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| (Unsecured, considered good) | | |
| **Non-current** | | |
| Security deposits | 565.26 | 563.16 |
| Fixed deposits with more than 12 months of maturity | - | 329.90 |
| Advances to related parties (refer note 37) | 14.79 | 14.79 |
| | **580.05** | **907.85** |
| **Current** | | |
| Interest accrued on bank deposits | 16.56 | 64.95 |
| Unbilled revenue | 292.75 | 211.40 |
| Derivatives - foreign currency forward contracts | - | 80.33 |
| | **309.31** | **356.68** |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 7. Other assets

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **(Unsecured, considered good)** | | |
| **Non-current** | | |
| Capital advances | 1,204.73 | 12.73 |
| Balances with government authorities | 1,772.43 | 1,634.43 |
| | **2,977.16** | **1,647.16** |
| **Current** | | |
| Prepaid expenses | 709.26 | 603.50 |
| Advance to suppliers | 1,309.37 | 899.30 |
| Balances with government authorities | 2,661.39 | 2,004.07 |
| Export benefits receivable | 149.99 | 781.61 |
| Other advances | 690.80 | 475.30 |
| | **5,520.81** | **4,763.78** |

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

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Raw materials [including goods in transit of ₹1,346.73 (31 March 2020: ₹570.64)] | 7,857.31 | 5,500.27 |
| Work-in-progress | 10,763.26 | 11,016.30 |
| Finished goods | 4,902.96 | 4,525.47 |
| Stores and consumables | 1,237.24 | 912.70 |
| | **24,760.77** | **21,954.74** |

## 9. Trade receivables

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Trade receivables considered good - secured | - | - |
| Trade receivables considered good - unsecured | 21,773.31 | 18,988.99 |
| Trade receivables which have significant increase in credit risk | 337.31 | 805.40 |
| Trade receivables - credit impaired | - | - |
| | **22,110.62** | **19,794.39** |
| Less: Loss allowance for doubtful receivables | (337.31) | (805.40) |
| | **21,773.31** | **18,988.99** |

*Note:*

1. *No trade receivables are due from any related parties including directors or other officers of the Company either severally or jointly with any other person.*
2. *Refer note 31 for the Company's credit risk management process*

## 10. Cash and cash equivalents

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Balance with banks:** | | |
| in current accounts | 77.05 | 789.31 |
| in cash credit accounts | 31.36 | 199.49 |
| Cash on hand | 3.18 | 2.73 |
| | **111.59** | **991.53** |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 11. Bank balances other than cash and cash equivalents

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Unpaid dividend account | 13.12 | 12.14 |
| Fixed deposits with less than 12 months of maturity* | 1,683.25 | 3,565.57 |
| | **1,696.37** | **3,577.71** |

** Includes deposits amounting to ₹1517.25 (31 March 2020: ₹2605.40) held as margin money/commitment with the banks.*

## 12. Equity share capital

(₹ in lacs)

| | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Authorized share capital** | | | | |
| Equity shares of ₹10 each | 4,40,00,000 | 4,400.00 | 4,40,00,000 | 4,400.00 |
| **Issued share capital** | | | | |
| Equity shares of ₹10 each, fully paid-up | 1,30,23,434 | 1,302.34 | 1,30,23,434 | 1,302.34 |
| **Subscribed share capital** | | | | |
| Equity shares of ₹10 each, fully paid-up | 1,29,33,165 | 1,293.32 | 1,29,33,165 | 1,293.32 |
| **Fully paid-up share capital** | | | | |
| Equity shares of ₹10 each | 1,28,29,889 | 1,282.99 | 1,28,29,889 | 1,282.99 |
| Add: Forfeited equity shares of ₹10 each | | 7.06 | | 7.06 |
| | | **1,290.05** | | **1,290.05** |

**i. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year**

(₹ in lacs)

| | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Equity shares** | | | | |
| Balance at the beginning of the year | 1,28,29,889 | 1,28,29,889.00 | 1,28,29,889 | 1,28,29,889.00 |
| Add: Issued during the year | - | - | - | - |
| **Balance at the end of the year** | **1,28,29,889** | **1,28,29,889.00** | **1,28,29,889** | **1,28,29,889.00** |

**ii. Rights, preferences and restrictions attached to equity shares**

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to prior consent from consortium and approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

**iii. Details of shareholders holding more than 5% equity shares in the Company**

(₹ in lacs)

| Name of the equity shareholders | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | Number | % holding | Number | % holding |
| Dr. D R Rao | 32,03,474 | 24.97% | 32,03,474 | 24.97% |
| Malabar India Fund Limited | 12,77,096 | 9.95% | 12,77,096 | 9.95% |
| Steadview Capital Mauritius Limited | - | - | 12,70,159 | 9.90% |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 13. Other equity

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Reserves and surplus** | | |
| Capital reserve | 3.32 | 3.32 |
| Securities premium | 49,777.35 | 49,777.35 |
| General reserve | 2,789.65 | 2,789.65 |
| Revaluation reserve | 83.89 | 83.89 |
| Retained earnings | 24,415.20 | 16,642.31 |
| **Total reserves and surplus** | **77,069.41** | **69,296.52** |
| Other comprehensive income | | |
| FVOCI - equity instruments, net of taxes | (56.08) | 40.18 |
| Remeasurement of defined benefit plan, net of taxes | (115.22) | (72.23) |
| **Total Other Comprehensive Income** | **(171.30)** | **(32.05)** |
| | **76,898.11** | **69,264.47** |

### Nature and purpose of reserves

**Capital reserve**

Capital reserve was created on account of merger of Neuland Drugs & Pharmaceuticals Private Limited with the Company. The Company uses capital reserve for transactions in accordance with the provisions of the Act.

**Securities premium**

The amount received in excess of face value of the equity shares is recognised in securities premium. In case of equity-settled share based payment transactions, the difference between fair value on grant date and face value of share is accounted as securities premium. This reserve is utilised in accordance with the provisions of the Act.

**General reserve**

General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes.

**Revaluation reserve**

Revaluation reserve was created on account of revaluation of certain property, plant and equipment during the earlier years.

**FVOCI equity instruments**

The Company has elected to recognise the change in fair value of certain investments in other comprehensive income. These changes are accumulated within the FVOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

**Remeasurement of defined benefit plan**

The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit plan of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to statement of profit or loss.

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 14. Borrowings

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| **Secured** | | |
| **Term loans** | | |
| From banks | 11,005.62 | 6,806.73 |
| From other parties | - | 2,053.57 |
| **Vehicle loans** | | |
| From banks | 106.52 | 100.23 |
| From other parties | 206.95 | 181.27 |
| | 11,319.09 | 9,141.80 |
| Less: Current maturities of long-term borrowings | 2,505.83 | 1,404.54 |
| | **8,813.26** | **7,737.26** |

### (a) Terms and conditions of loans and nature of security

(₹ in lacs)

| Loan | Outstanding Amount as at 31 March 2021 | Outstanding Amount as at 31 March 2020 | Number of instalments | Repayment start date |
|---|---|---|---|---|
| Term Loan 1 | - | 160.00 | 18/ Quarterly | September'16 |
| Term Loan 2 | 3,048.14 | 3,689.86 | 28/ Quarterly | March'19 |
| Term Loan 3 | 1,696.43 | 2,053.57 | 28/ Quarterly | April'19 |
| Term Loan 4 | 2,782.94 | 2,956.87 | 17/ Quarterly | January'21 |
| Term Loan 5 | 3,478.11 | - | 20/ Quarterly | June'21 |

(i) The above loans are secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. All the above term loan (except Term Loan 5) from banks are also secured by way of personal guarantees extended by Dr. Davaluri Rama Mohan Rao and Davuluri Sucheth Rao. Term Loan 1 was fully repaid during the year and the charge is released.

(ii) Vehicles loans outstanding to the tune of ₹313.47 (31 March 2020: ₹281.50) are secured by hypothecation of specific vehicles against which the loan was availed. Vehicle loans are repayable in instalments ranging from 35 to 59 months from the date of the loan.

(iii) All the above loans carry interest in the range of 7.55% to 9.85% per annum (31 March 2020: 6.70% to 12.50% per annum).

(iv) Details of repayment of non-current borrowings

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Up to 1 year | 2,505.83 | 1,404.54 |
| From 1 to 3 years | 4,938.37 | 3,535.62 |
| 3 years and above | 3,874.89 | 4,201.64 |
| | **11,319.09** | **9,141.80** |

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Current** | | |
| Secured loans from banks | 5,698.44 | 16,817.26 |
| | **5,698.44** | **16,817.26** |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

(i) Loans outstanding represent cash credit, packing credit and working capital demand loan facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 0.64% to 9.40% per annum (31 March 2020: 2% to 12.75% per annum).

(ii) The above loans with all working capital lenders are secured by way of pari-passu first charge on all the current assets of the Company and pari-passu second charge on Company's property, plant and equipment. All of the above working capital loans are also secured by way of personal guarantees extended by Dr. Davaluri Rama Mohan Rao and Davuluri Sucheth Rao and pari-passu charge on 200,000 equity shares of the Company held by Dr. D R Rao, in favour of the working capital lenders.

## 15. Provisions

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| Gratuity (refer note (a)) | 651.86 | 996.37 |
| Compensated absences | 257.79 | 222.09 |
| | **909.65** | **1,218.46** |
| **Current** | | |
| Gratuity (refer note (a)) | - | 176.19 |
| Compensated absences | 64.26 | 51.12 |
| | **64.26** | **227.31** |

**(a) Gratuity**

The Company has a defined benefit funded gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC) & Kotak Gratuity Group Plan. Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes up to a maximum limit of ₹20.

The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

(₹ in lacs)

| | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **(i)** | **Change in projected benefit obligation** | | |
| | Projected benefit obligation at the beginning of the year | 1,199.64 | 1,038.80 |
| | Service cost | 116.42 | 112.02 |
| | Interest cost | 74.12 | 76.46 |
| | Actuarial (gain) / loss | 55.97 | 88.48 |
| | Benefits paid | (177.34) | (116.12) |
| | Projected benefit obligation at the end of the year | **1,268.81** | **1,199.64** |
| **(ii)** | **Change in plan assets** | | |
| | Fair value of plan assets at the beginning of the year | 27.08 | 23.08 |
| | Value adjustment | (1.48) | (11.28) |
| | Expected return on plan assets | 1.83 | 1.80 |
| | Employer contributions | 775.41 | 123.88 |
| | Benefits paid | (185.89) | (110.40) |
| | Fair value of plan assets at the end of the year | **616.95** | **27.08** |
| **(iii)** | **Reconciliation of present value of obligation on the fair value of plan assets** | | |
| | Present value of projected benefit obligation at the end of the year | 1,268.81 | 1,199.64 |
| | Funded status of the plans | (616.95) | (27.08) |
| | Net liability recognised in the balance sheet | **651.86** | **1,172.56** |

*Table continued to next page*

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

| | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **(iv)** | **Expense recognized in the statement of profit and loss** | | |
| | Service cost | 116.42 | 112.02 |
| | Interest cost | 74.12 | 76.46 |
| | Expected returns on plan assets | (1.83) | (1.80) |
| | Net gratuity costs | **188.71** | **186.68** |
| **(v)** | **Expense recognized in OCI** | | |
| | Recognized net actuarial (gain)/ loss | 57.45 | 99.76 |
| | | **57.45** | **99.76** |
| **(v)** | **Key actuarial assumptions** | | |
| | Financial assumptions | | |
| | Discount rate | 6.86% | 6.75% |
| | Expected return on plan assets | 6.75% | 7.80% |
| | Withdrawal Rate | 4.00% | 4.00% |
| | Salary escalation rate | 4.00% | 4.00% |
| | Demographic assumptions | | |
| | Mortality rate as per Indian Assured Lives Mortality 2012-14 table | | |
| **(vi)** | **Sensitivity Analysis** | | |
| | Projected defined benefit obligation | 1,268.81 | 1,199.64 |
| | Delta effect of +1% change in discount rate | 1,196.56 | 1,124.98 |
| | Delta effect of -1% change in discount rate | 1,364.95 | 1,284.17 |
| | Delta effect of +1% change in salary escalation rate | 1,363.59 | 1,281.09 |
| | Delta effect of -1% change in salary escalation rate | 1,195.91 | 1,126.16 |
| **(vii)** | **Maturity analysis of projected benefit obligation** | | |
| | 1 year | 152.27 | 145.66 |
| | 2 to 5 years | 420.29 | 310.28 |
| | 6 to 10 years | 553.44 | 597.64 |
| | More than 10 years | 135.97 | 146.06 |

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and salary escalation rate. The calculation of the net defined benefit liability is sensitive to these assumptions. Sensitivity to these factors is disclosed above.

## 16. Deferred tax liabilities (net)

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Deferred tax liabilities arising on account of :** | | |
| Property, plant and equipment, goodwill and other intangible assets | 6,942.01 | 6,667.78 |
| **Deferred tax assets arising on account of :** | | |
| Employee benefits | (518.19) | (601.00) |
| Provision for trade receivables and advances | (90.61) | (189.07) |
| Brought forward business loss | - | (507.31) |
| Investment property | (440.44) | (673.03) |
| Others | 6.89 | (1.67) |
| **Deferred tax liabilities (net)** | **5,899.66** | **4,695.70** |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

(a) In assessing whether the deferred tax assets will be realised, management considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of the deferred income tax assets in the nature of business loss carry forward is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realise the benefits of those recognised deductible difference of business loss carry forward. Recoverability of deferred tax assets is based on estimates of future taxable income and any changes in such future taxable income would impact the recoverability of deferred tax assets. However, management believes that any reasonable possible change in the key assumptions would not effect the Company's ability to recover the deferred tax asset

## 17. Other liabilities

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| Advances from customers | 3.00 | 2,028.00 |
| Security deposit received | 283.48 | 283.48 |
| | **286.48** | **2,311.48** |
| **Current** | | |
| Advances from customers | 6,360.72 | 2,167.19 |
| Statutory liabilities | 277.14 | 230.78 |
| | **6,637.86** | **2,397.97** |

## 18. Trade payables

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Total outstanding dues of micro enterprises and small enterprises | 856.79 | 130.56 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 14,817.84 | 11,869.28 |
| | **15,674.63** | **11,999.84** |

*Note :*

1. *Refer note 31 for the Company's liquidity risk management process*
2. *The Micro and Small Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors. Details of dues to such parties are given below:*

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| The principal amount remaining unpaid as at the end of the year | 856.79 | 130.56 |
| The amount of interest accrued and remaining unpaid at the end of the year | 8.90 | 0.93 |
| Amount of interest paid by the company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year. | - | - |
| Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006). | - | - |
| The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006). | - | - |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 19. Other financial liabilities

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Current** | | |
| Current maturities of long-term borrowings (refer note 14) | 2,505.83 | 1,404.54 |
| Interest accrued but not due on borrowings | 39.60 | 25.22 |
| Unclaimed dividends | 13.16 | 12.16 |
| Creditors for capital goods | 1,148.96 | 924.89 |
| Employee related liabilities | 1,128.43 | 840.51 |
| Accrual for expenses | 3,284.01 | 1,392.84 |
| Others | 847.86 | - |
| | **8,967.85** | **4,600.16** |

## 20. Revenue from operations

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Sale of products | 88,125.24 | 70,898.49 |
| Sale of services | 3,692.43 | 2,546.66 |
| **Other operating revenues** | | |
| Sale of impurities | 253.49 | 285.16 |
| Scrap sales | 355.36 | 496.26 |
| Export incentives | 1,264.79 | 2,044.51 |
| | **93,691.31** | **76,271.08** |

### Disaggregation of revenue

### Revenue based on Geography

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| India | 23,484.42 | 25,387.07 |
| Europe | 33,139.00 | 24,067.11 |
| USA | 19,469.91 | 11,571.55 |
| Rest of the world | 17,597.98 | 15,245.35 |
| | **93,691.31** | **76,271.08** |

### Unsatisfied performance obligations

The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations in case of contracts for which revenues are recorded over a period of time is ₹1,077.62, which is expected to be fully recognised as revenue in the next year. No consideration from contracts with customers is excluded from the amount mentioned above and contract asset relating to partially satisfied performance obligations aggregates to ₹292.75 as at 31 March 2021 (31 March 2020: ₹ 211.40)

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 21. Other income

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Interest income | 166.73 | 216.19 |
| Incentive under market access initiative scheme | 5.59 | 131.50 |
| Profit on sale of property, plant and equipment, net | - | 39.06 |
| Profit on sale of Investment in Properties (net) | 1,309.25 | - |
| Other non-operating income | 127.92 | 1.82 |
| | **1,609.49** | **388.57** |

## 22. Cost of raw materials consumed

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Raw materials at the beginning of the year | 5,500.27 | 4,555.14 |
| Add: Purchases during the year* | 46,322.74 | 40,080.72 |
| Less: Raw materials at the end of the year | 7,857.31 | 5,500.27 |
| **Cost of raw material consumed** | **43,965.70** | **39,135.59** |

**Disclosed based on derived figures, rather than actual records of issue.*

## 23. Changes in inventories of finished goods and work-in-progress

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Opening stock | | |
| - Finished goods | 4,525.47 | 3,965.66 |
| - Work-in-progress | 11,016.30 | 10,113.50 |
| | **15,541.77** | **14,079.16** |
| Closing balance | | |
| - Finished goods | 4,902.96 | 4,525.47 |
| - Work-in-progress | 10,763.26 | 11,016.30 |
| | **15,666.22** | **15,541.77** |
| - Less: Trial run inventory | - | (346.86) |
| | **(124.45)** | **(1,115.75)** |

## 24. Employee benefits expense

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Salaries, wages and bonus | 12,797.01 | 10,520.82 |
| Contribution to provident and other funds (note (a) below) | 537.60 | 483.54 |
| Gratuity expense | 188.71 | 186.68 |
| Compensated absences expense | 141.24 | 108.91 |
| Staff welfare expenses | 737.64 | 548.24 |
| | **14,402.20** | **11,848.19** |

(a) During the year ended 31 March 2021, the Company contributed ₹514.96 (31 March 2020: ₹463.83) to provident fund and ₹22.64 (31 March 2020: ₹19.72) towards employee state insurance fund

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 25. Finance costs

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Interest expense | 1,296.20 | 1,890.85 |
| Other borrowing costs | 607.72 | 541.82 |
| | 1,903.92 | 2,432.67 |
| Less: Borrowing costs capitalized * | (114.17) | (275.53) |
| | **1,789.75** | **2,157.14** |

** The Company has capitalised borrowing costs with respect to its qualifying assets. The rate for capitalisation of borrowing cost was approximately 9.47% (31 March 2020: 10.60%)*

## 26. Manufacturing expenses

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Consumption of stores and spare parts | 4,011.36 | 2,702.72 |
| Consumption of packing material | 338.77 | 305.07 |
| Power and fuel | 3,920.73 | 3,275.14 |
| Carriage inwards | 164.79 | 130.71 |
| **Repairs and maintenance** | | |
| - Buildings | 397.45 | 509.90 |
| - Plant and equipment | 1,172.73 | 1,003.22 |
| - Others | 1,101.09 | 1,017.64 |
| Effluent treatment and testing charges | 921.66 | 815.23 |
| | **12,028.58** | **9,759.63** |

## 27. Other expenses

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Rent | 18.21 | 14.27 |
| Corporate Social Responsibility ('CSR') expenditure (refer note ii below) | 88.02 | 68.72 |
| Rates and taxes | 1,738.37 | 160.12 |
| Travelling and conveyance | 663.87 | 956.30 |
| Legal and professional fees | 829.78 | 1,060.51 |
| Remuneration to statutory auditors (refer note i below) | 36.41 | 36.05 |
| Insurance | 395.09 | 246.46 |
| Advertisement and subscription expense | 247.14 | 318.48 |
| Sales promotion expenses including commission* | 2,576.44 | 1,709.00 |
| Freight and forwarding charges | 1,016.96 | 631.06 |
| Provision for doubtful debts and advances, net | 385.33 | 707.94 |
| Foreign exchange loss, net | 216.73 | 167.36 |
| Loss on sale of property, plant and equipment, net | 27.34 | - |
| Directors commission | 35.00 | 21.00 |
| Sitting fees | 24.90 | 23.20 |
| Miscellaneous expenses | 475.37 | 377.17 |
| | **8,774.96** | **6,497.64** |

** includes an amount of ₹955 lacs towards settlement of international taxation litigation under Vivad Se Vishwas Scheme*

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

**(i) Details of payments to auditors included in legal and professional fees:**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **As auditor:** | | |
| - Audit fee, including tax audit | 30.00 | 30.00 |
| - Certifications | 5.75 | 5.50 |
| - Reimbursement of expenses | 0.66 | 0.55 |
| | **36.41** | **36.05** |

**(ii) Details of CSR expenditure :**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Gross amount required to be spent by the Company during the year | 70.92 | 55.87 |
| Amount spent during the year (in cash) on: | | |
| (i) Construction/acquisition of any asset | - | - |
| (ii) On purposes other than (i) above* | 88.02 | 68.72 |
| **Amount remaining to be spent/(spent in excess)** | **(17.10)** | **(12.85)** |

** includes ₹ 10 paid to Neuland Foundation towards corpus in FY 20*

## 28. Income tax

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Income tax expense recognised in the statement of profit and loss consists of the following:** | | |
| Current income tax | 1,248.29 | - |
| Deferred tax expense / (benefit) | 1,218.43 | 3,661.57 |
| **Total tax expense for the year** | **2,466.72** | **3,661.57** |

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (31 March 2020: 25.17%) and the reported tax expense in the statement of profit and loss is as follows:

**Reconciliation of tax expense and the accounting profit multiplied by India's tax rate**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Profit before tax | 10,496.21 | 5,249.58 |
| Tax rate applicable to the Company | 25.17% | 25.17% |
| Estimated tax expense on profit^ | 2,617.23 | 1,321.21 |
| **Increase/(decrease) in tax expenses on account of:** | | |
| Earlier year impact | (191.81) | - |
| One time charge off on transition to new regime* | - | 2,324.66 |
| Expenses disallowed | 29.03 | 19.09 |
| Others | 12.27 | (3.39) |
| **Income tax expense** | **2,466.72** | **3,661.57** |

** The Government of India, on 20 September 2019, vide the Taxation laws (Amendment) Ordinance 2019, inserted a new Section 115BAA in the Income tax Act, 1961, which provides an option to the Company for paying income Tax at reduced rates as per the provisions/conditions defined in the said section. The Company has completed its evaluation and has opted to pay tax at the reduced rate resulting in one time tax charge of ₹ 2,324.66 .*

*^ Estimated tax expenses for FY 21 includes tax on Capital Gains at rates different than the tax rate of 25.17%*

# Notes to Standalone Financial Statements

for the year ended March 31, 2021



## 29. Earnings per equity share (EPES)

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Net profit for the year** | 8,029.49 | 1,588.01 |
| **Computation of weighted average number of equity shares:** | | |
| Weighted average number of equity shares outstanding during the year | 1,28,29,889 | 1,28,29,889 |
| **EPES (in absolute ₹):** | | |
| Basic | 62.58 | 12.38 |
| Diluted | 62.58 | 12.38 |

## 30. Fair value measurements

### (i) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the Balance Sheet are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data either directly or indirectly.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### (ii) Financial assets and financial liabilities measured at fair value

(₹ in lacs)

| | March 2021 | | March 2020 | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| **Financial assets** | | | | |
| Investments | 19.27 | 670.29 | 11.11 | 774.72 |
| Derivatives - Forward contracts | - | - | - | 80.33 |

### (iii) Financial instruments by category

For amortised cost instruments, carrying value represents the best estimate of fair value.

(₹ in lacs)

| | 31 March 2021 | | | 31 March 2020 | | |
|---|---|---|---|---|---|---|
| | FVTPL | FVOCI | Amortised cost | FVTPL | FVOCI | Amortised cost |
| **Financial assets** | | | | | | |
| Investments | 24.72 | 664.84 | - | 24.72 | 761.11 | - |
| Trade receivables | - | - | 21,773.31 | - | - | 18,988.99 |
| Cash and cash equivalents | - | - | 111.59 | - | - | 991.53 |
| Other bank balances | - | - | 1,696.37 | - | - | 3,577.71 |
| Other financial assets | - | - | 889.36 | - | - | 1,264.53 |
| **Total financial assets** | **24.72** | **664.84** | **24,470.63** | **24.72** | **761.11** | **24,822.76** |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

| | 31 March 2021 | | March 2020 | |
|---|---|---|---|---|
| | FVTPL | Amortised cost | FVTPL | Amortised cost |
| **Financial liabilities** | | | | |
| Borrowings | - | 17,017.53 | - | 25,959.06 |
| Lease liability | - | 1,211.79 | | 414.42 |
| Trade payables | - | 15,674.63 | - | 11,999.84 |
| Other financial liabilities | - | 6,462.02 | - | 3,195.62 |
| **Total financial liabilities** | **-** | **40,365.97** | **-** | **41,568.94** |

The Company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, cash and cash equivalents and other bank balances that derive directly from its operations. The Company also holds FVOCI investments and investment in its subsidiary.

(iv) The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature. Difference between carrying amounts and fair values of bank deposits, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented. For all other amortised cost instruments, carrying value represents the best estimate of fair value.

For financial assets measured at fair values, the carrying amounts are equal to the fair values.

## 31. Financial instruments risk management

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The Company's risk management policies are established to identify and analyse the risks faced by the Company and seek to, where appropriate, minimize potential impact of the risk and to control and monitor such risks. There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for management of these risks.

### A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, trade receivables and other financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2021 and 31 March 2020. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

#### i. Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has loan facilities on floating interest rate, which exposes the Company to risk of changes in interest rates. The management monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary. The Company's investment in deposits with banks are for short durations and therefore do not expose the Company to significant interest rate risk. Below are the details of exposure to fixed rate and variable rate instruments:

(₹ in lacs)

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 1,683.25 | 3,895.47 |
| Financial liabilities | 3,096.41 | 3,237.49 |
| **Variable rate instruments** | | |
| Financial liabilities | 13,921.12 | 22,721.57 |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

Every 0.5% increase/decrease in the interest rate component applicable to the respective borrowings would effect the Company's net profit before tax resulting in an expense/income of ₹69.61 and ₹113.61 for the year ended 31 March 2021 and 31 March 2020 respectively.

**ii. Foreign currency risk:**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of change in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in foreign currency) and financing activities (when borrowings are denominated in foreign currency), The foreign currencies in which these transactions are denominated are US Dollars, Euros, Japanese Yen, Great British Pound and Swiss Franc. The Company uses foreign exchange forward contracts to hedge its exposure in foreign currency risk.

a) Significant foreign currency risk exposure relating to financial assets and financial liabilities expressed in ₹ terms are as follows:

**Financial assets**

(₹ in lacs)

| Trade receivables | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 14,617.64 | 12,821.36 |
| - EUR | 1,219.04 | 2,035.00 |

| Cash & cash equivalents | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 18.50 | 725.57 |

**Financial liabilities**

**(₹ in lacs)**

| Trade payables | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 3,068.99 | 2,907.97 |
| - EUR | 37.17 | 30.69 |
| - CHF | - | 12.49 |
| - JPY | 104.74 | 74.16 |

| Borrowings | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 4,393.35 | 7,294.13 |
| - EUR | - | 1,324.25 |

b) Derivative financial instruments

The following table gives details in respect of outstanding derivate contracts. The counterparty for these contracts are banks.

(₹ in lacs)

| | Buy | 31 March 2021 | 31 March 2020 |
|---|---|---|---|
| Derivatives not designated as hedges | | | |
| Forward contract | USD (in lakhs) | - | US $45.11 |
| Interest rate swaps | USD (in lakhs) | - | - |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

c) Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD and Euro exchange rates, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material.

(₹ in lacs)

| Particulars | Impact on profit after tax for the year ended | |
|---|---|---|
| | 31 March 2021 | 31 March 2020 |
| USD sensitivity | | |
| ₹/USD - Increase by 5% | 358.69 | 167.24 |
| ₹/USD - Decrease by 5% | (358.69) | (167.24) |
| EUR sensitivity | | |
| ₹/EUR - Increase by 5% | 59.09 | 34.00 |
| ₹/EUR - Decrease by 5% | (59.09) | (34.00) |

**iii. Equity price risk:**

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI/FVTPL. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and total comprehensive income by ₹68.96 (31 March 2020: ₹78.58).

**B. Credit risk**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at 31 March 2021 and 31 March 2020.

Ageing of trade receivables is as follows:

(₹ in lacs)

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Neither past due nor impaired | 15,756.52 | 14,107.91 |
| Past due not impaired: | | |
| 0-180 days | 5,592.59 | 4,456.30 |
| Greater than 180 days | 424.20 | 424.78 |
| | **21,773.31** | **18,988.99** |

**C. Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows.

**Maturities of financial liabilities**

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

(₹ in lacs)

| March 2021 | Up to 1 year | From 1 to 3 years | More than 3 years | Total |
|---|---|---|---|---|
| Borrowings | 8,204.27 | 4,938.37 | 3,874.89 | 17,017.53 |
| Lease liability | 358.38 | 708.84 | 410.65 | 1,477.87 |
| Trade and other payables | 15,674.63 | - | - | 15,674.63 |
| Other financial liabilities | 6,462.02 | - | - | 6,462.02 |
| **Total** | **30,699.30** | **5,647.21** | **4,285.54** | **40,632.05** |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

| 31 March 2020 | Up to 1 year | From 1 to 3 years | More than 3 years | Total |
|---|---|---|---|---|
| Borrowings | 18,221.80 | 3,535.62 | 4,201.64 | 25,959.06 |
| Lease liability | 188.97 | 189.92 | 108.22 | 487.11 |
| Trade and other payables | 11,999.84 | - | - | 11,999.84 |
| Other financial liabilities | 3,195.62 | - | - | 3,195.62 |
| **Total** | **33,606.23** | **3,725.54** | **4,309.86** | **41,641.63** |

## 32. Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Hence, the Company may adjust any dividend payments, return capital to shareholders or issue new shares or sell assets to reduce debt. Total capital is the equity as shown in the statement of financial position. Currently, the Company primarily monitors its capital structure on the basis of the following gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Company.

The capital for the reporting year under review is summarized as follows:

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Total borrowings | 17,017.53 | 25,959.06 |
| Less: Cash and cash equivalents | (111.59) | (991.53) |
| Net debt | 16,905.94 | 24,967.53 |
| Total equity | 78,188.16 | 70,554.52 |
| Net debt to equity ratio | 21.62% | 35.39% |

## 33. Research and development expenses

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditures are given below:

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Revenue Expenditure | | |
| Salaries and wages | 1,351.85 | 1,165.32 |
| Consumption of raw materials and consumables | 522.90 | 307.29 |
| Power and fuel | 231.83 | 268.54 |
| | **2,106.58** | **1,741.15** |
| Capital Expenditure | 178.11 | 347.18 |

** Disclosed for the years where Form 3CL is yet to be received from Department of Scientific and Industrial Research (DSIR)*

## 34. Investment properties

Investment properties comprise of carrying value of land and capital work-in-progress, representing the cost incurred towards development and construction activity at the said land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited ("TSIIC") (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited).

The Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a Developer for development of IT Park at the Company's land. Subsequently the Company has entered into Supplementary Development Agreement ("SDA") and Addendums to the SDA (collectively referred as 'Arrangement') with the Developer and its nominees. Further, in accordance with the terms of the Arrangement, the Company is entitled to a fixed leasable / saleable area of

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

a minimum 3.38 lakhs sq .ft, out of which the Company has transferred 1.20 lakhs sq. ft from it's own share at ₹0.02 per sq. ft to the Developer nominees on completion of the construction work as at 31 March 2021. The Company has further agreed to revise its net share in the Project to 1.74 lakh sq.ft. (excluding 1.20 lakh sq.ft. already transferred) to compensate the Developer for certain costs and adjustments in the Company's share in the Project, with the approval of the Board of Directors of the Company. The construction of the Company's share in the Project is completed and the Developer shall handover possession of the Company's share, upon receipt of regulatory approvals. The management, on the basis of its assessment of the end use of its share in the proposed project has classified the entire value as an investment property as at 31 March 2021.

The fair value of the investment property is estimated at ₹11,424.84 based on valuation report.

## 35. Expenditure during construction period (pending allocation)

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Opening Balance | 370.40 | 307.20 |
| **Add:** | | |
| Cost of materials consumed, net of trial run inventory recognized | - | 2.42 |
| Employee benefits expense | - | 200.37 |
| Power and fuel | - | 59.58 |
| Factory maintenance | - | 97.62 |
| Legal and professional chargers | - | - |
| Others | - | 10.20 |
| **Less:** | | |
| Capitalized during the year | 370.40 | 306.99 |
| | **-** | **370.40** |

## 36. Goodwill

Pursuant to the Scheme of Amalgamation and Arrangement ("the Scheme") duly approved by the National Company Law Tribunal, Hyderabad Bench vide their order dated 21 March 2018, Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") (together referred to as "Transferor Companies"), were merged with the Company with appointed date of 1 April 2016. NHSPL is engaged in the business of conducting research and development of Peptides and NPRPL is in the business of contract research services.

The purchase consideration of ₹31,084.99 paid by way of issue of 2,270,635 equity shares of ₹10 each [in accordance with the Scheme, 4,590,608 equity shares of ₹10 each held by NHSPL in the Company stands cancelled and the Company shall issue 6,861,095 and 148 fully paid-up equity shares of ₹10 each to the shareholders of NHSPL and NPRPL respectively] at a premium of ₹1,359 per equity share.

Excess of consideration paid over net assets taken over aggregating to ₹27,946.10 is recognized as Goodwill.

**Reconciliation of the carrying amount of goodwill:**

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Opening balance | 27,946.10 | 27,946.10 |
| Add: Due to acquisition during the year | - | - |
| Less: Impairment/write off | - | - |
| **Closing Balance** | **27,946.10** | **27,946.10** |

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal

# Notes to Standalone Financial Statements

for the year ended March 31, 2021



growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.37% for the year ended 31 March 2021. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash- generating unit.

## 37. Related party disclosures

### (a) Names of the related parties and nature of relationship

| Particulars |
|---|
| **Subsidiaries** |
| Neuland Laboratories Inc., USA |
| Neuland Laboratories K.K., Japan |
| **Enterprise over which key management personel exercise significant influence** |
| Neuland Foundation |
| **Key Management Personnel** |
| Dr. D. R. Rao - Executice Chairman |
| Mr.D. Sucheth Rao - Vice Chairman and CEO |
| Mr.D. Saharsh Rao - Vice Chairman & MD |
| Dr. Christopher M. Cimarusti - Non-Executive Non-Independent Director |
| Mr.Humayun Dhanrajgir - Non-Executive Independent Director |
| Mr.Parampally Vasudeva Maiya - Non-Executive Independent Director |
| Dr. William Gordon Mitchell - Non-Executive Independent Director |
| Mrs.Bharati Rao - Non-Executive Independent Director |
| Dr. Nirmala Murthy - Non-Executive Independent Director |
| Mr.Homi Rustam Khusrokhan - Non-Executive Independent Director |
| Mr.Deepak Gupta - Chief Financial Officer (with effect from Sep 24, 2020) |
| **Relatives of Key Management Personnel** |
| Mrs.D. Vijaya Rao |
| Mrs.D. Rohini Niveditha Rao |

### (b) Transactions with related parties

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---:|---:|
| **Subsidiaries** | | |
| Sales promotion expenses including commission | 778.47 | 853.14 |
| **Enterprise over which key management personel exercise significant influence** | | |
| Neuland Foundation- Contribution towards corpus | - | 10.00 |
| **Transactions with KMP** | | |
| Managerial remuneration | 1,052.68 | 660.00 |
| Rent | 157.95 | - |
| Director's sitting fee | 24.90 | 23.20 |
| Commission | 35.00 | 21.00 |
| Security deposit given | - | 242.80 |
| Professional fee | - | 14.16 |
| **Transactions with relatives of KMP** | | |
| Rent | 75.73 | 71.83 |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

**(c) Balances receivable/(payables)**

(₹ in lacs)

| | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **Subsidiaries** | | | |
| Neuland Laboratories Inc., USA | Creditor for expenses | (364.11) | (364.48) |
| Neuland Laboratories K.K., Japan | Creditor for expenses | (97.16) | (63.10) |
| Neuland Laboratories K.K., Japan | Advance | 14.79 | 14.79 |
| **Key Management Personnel** | | | |
| Mr. D. Sucheth Rao | Security deposit | 121.40 | 121.40 |
| Mr.D. Saharsh Rao | Security deposit | 121.40 | 121.40 |
| Dr. D. R. Rao | Remuneration Payable | (220.00) | (107.52) |
| Mr. D. Sucheth Rao | Remuneration Payable | (200.00) | (87.51) |
| Mr.D. Saharsh Rao | Remuneration Payable | (180.00) | (67.51) |
| Non Executive Directors | Sitting Fee/Commission/Profesional Fee | (10.10) | (36.55) |
| **Relative of Key Management Personnel** | | | |
| Mrs. D Vijaya Rao | Security deposit (net of rent payable) | 12.17 | 12.66 |

*Note:*

*Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees and Dr. D. R. Rao in addition has pledged certain shares of his holding in the Company in connection with the working capital limits availed by the Company. (Refer note: 14)*

**(d) Transaction with related parties**

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the subsidiaries, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the transfer pricing documentation for the financial year ended 31 March 2021. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

## 38. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹2,284.55 (31 March 2020: ₹934.72).

## 39. Contingent liabilities and pending litigations

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Disputed income tax liabilities** | | |
| Assessment year 2004-05 - refer note (a) below | 693.33 | 693.33 |
| Assessment year 1998-99, 2001-02, 2002-03 & 2013-14 to 2018-19, the cases for these years is proposed to be settled under Vivad Se Viswas scheme and requisite liability has been provided for during the year | - | 1,471.75 |
| Other income tax matters | 19.01 | 19.01 |
| **Other Disputes/Matters** | | |
| NGT Order - based on the developments during the year, liability for all the years starting from FY 16-17 has been provided | - | 571.11 |

*Table continued to next page*

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| APTRANSCO demand of wheeling charges to APGPCL- the amounts has been provided for based on demand order received during the year | - | 223.03 |
| Public litigation against land parcel allotment by APIICL- refer note (b) below | 1,890.64 | 2,981.39 |
| CIGSR Order for land parcel at bonthapally- refer note (c) below | 0.64 | 0.64 |
| Certain disputes, for unascertained amounts are pending in the Labour Courts, Telangana Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect. | Not ascertainable | Not ascertainable |
| **Other Claims and Gurantees** | | |
| Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company | 7,863.71 | 6,573.24 |

*Note:*

(a) *The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year 2004-05 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the Income Tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favour of the Company. The Income Tax department has however filed an appeal with the Hon'ble High Court of Telangana in this regard, which is pending final outcome. However, on the basis of its internal assessment and considering the order of the first level appellate authority, the Company is confident of securing an favourable order from the High Court and accordingly, no adjustments have been made to the standalone financial statements in this regard.*

***Other pending litigations / contingent liabilities:***

(b) *During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹1,890.64.*

(c) *During the financial year ended 31 March 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide it's order dated 22 February 2008 has cancelled the registration of the land parcel owned by the company situated at Bontapally pursuant to claims of forgery raised by the former sellers of the said land. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated 31 December 2012 has granted stay on the cancellation order of CIGSR. Proceedings of the case are still pending with the court. The management is confident that orders will be in the favour of the Company, hence no adjustment is deemed necessary to these standalone financial statements.*

## 40. Net debt reconciliation

(₹ in lacs)

| | Current borrowings | Non-current borrowings | Interest accrued |
|---|---|---|---|
| **Net debt as on 1 April 2019** | 14,905.83 | 8,240.26 | 29.01 |
| Cash flows (net) | 1,635.35 | 901.54 | - |
| For-ex adjustment | 276.08 | - | - |
| Interest expenses, including interest capitalized | - | - | 2,432.67 |
| Interest paid | - | - | (2,436.46) |
| **Net debt as on 31 March 2020** | 16,817.25 | 9,141.80 | 25.22 |
| Cash flows (net) | (11,143.58) | 2,177.29 | - |
| For-ex adjustment | 24.76 | - | - |
| Interest expenses, including interest capitalized | - | - | 1,903.92 |
| Interest paid | - | - | (1,889.54) |
| **Net debt as on 31 March 2021** | **5,698.43** | **11,319.09** | **39.60** |

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

## 41. Leases

The Company has entered into operating leases of office premises and residential bunglow, with no restrictions and are renewable at the option of either of the parties, for a period of 3 years to 5 years. The escalation rates is 5% per annum as per the terms of the lease agreement. There are no sub leases. The Company applies the short term lease and lease of low value assets recognition exemption for few leases.

(₹ in lacs)

| | Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|---|
| (i) | **The movement in right-of-use assets is as follows :** | | |
| | **Opening balance** | 384.39 | - |
| | Reclassified on account of adoption of Ind AS 116 | - | 237.50 |
| | Addition during the year | 1,150.97 | 312.51 |
| | Deletions during the year | - | - |
| | Depreciation charge for the year | (310.99) | (165.61) |
| | **Closing balance** | **1,224.37** | **384.39** |
| (ii) | **The break-up of current and non-current lease liabilities is as follows** | | |
| | Non-current lease liabilities | 958.60 | 257.79 |
| | Current lease liabilities | 253.19 | 156.63 |
| (iii) | **The movement in lease liabilities is as follows :** | | |
| | **Opening balance** | 414.42 | - |
| | Reclassified on account of adoption of Ind AS 116 | - | 255.21 |
| | Addition during the year | 1,050.90 | 312.55 |
| | Accretion of interest | 98.02 | 39.63 |
| | Deletions during the year | - | - |
| | Payment of principal portion of lease liabilities | (253.53) | (153.34) |
| | Payment of interest portion of lease liabilities | (98.02) | (39.63) |
| | **Closing balance** | **1,211.79** | **414.42** |
| (iv) | **The contractual maturities of lease liabilities on an undiscounted basis are as follows:** | | |
| | Less than one year | 358.38 | 188.97 |
| | One to five years | 1,119.49 | 298.14 |
| | More than five years | - | - |

*Note*

1. *The aggregate depreciation expense on right-of-use assets of ₹ 310.99 is included under depreciation and amortization expense in the Statement of Profit and Loss.*
2. *Rental expense recorded for short-term and low value leases was ₹ 18.21 for the year ended March 31, 2021.*
3. *The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.*

## 42. Segment reporting

In accordance with Ind AS 108 - 'Operating segments', segment information has been given in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

**43.** The Code on Social Security 2020 ('the Code') relating to employee benefits, during the employment and post-employment, has received Presidential assent on September 28, 2020. The Code has been published in the Gazette of India. Further, the Ministry of Labour and Employment has released draft rules for the Code on November 13, 2020. However, the effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are also not yet issued.

# Notes to Standalone Financial Statements

for the year ended March 31, 2021

The Company will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

**44.** The World Health Organization announced a global health emergency because of a new strain of coronavirus ("COVID-19") and classified its outbreak as a pandemic on March 11, 2020. On March 24, 2020, the Indian government announced a strict 21-day lockdown across the country to contain the spread of the virus. This pandemic and response thereon have impacted most of the industries. Consequent to the nationwide lock down on March 24, 2020, the Company's operations were scaled down in compliance with applicable regulatory orders. Subsequenlty, during the year, the Company's operations have been scaled up in a phased manner taking into account directives from various Government authorities. The impact on future operations would, to a large extent, depend on how the pandemic further develops and it's resultant impact on the operations of the Company. The Company continues to monitor the situation and take appropriate action, as considered necessary in due compliance with the applicable regulations.

The management has made an assessment of the impact of COVID-19 on the Company's operations, financial performance and position as at and for the year ended March 31, 2021and has concluded that no there is no impact which is required to be recognised in the financial statements. Accordingly, no adjustments have been made to the financial statements.

**45.** The standalone financial statements are approved for issue by the Company's Board of Directors on 11 May 2021.

This is the Summary of Significant Accounting Policies and Other Explanatory Information referred to in our report of even date.

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

| | | | | | |
|---|---|---|---|---|---|
| **Amit Kumar Agarwal** | **Dr. D. R. Rao** | **D. Sucheth Rao** | **D. Saharsh Rao** | **Deepak Gupta** | **Sarada Bhamidipati** |
| Partner | Executive Chairman | Vice Chairman and CEO | Vice Chairman | Chief Financial Officer | Company Secretary |
| Membership No: 214198 | DIN 00107737 | DIN 00108880 | Managing Director | | |
| | | | DIN 02753145 | | |

Place: Hyderabad
Date: May 11, 2021

Place: Hyderabad
Date: May 11, 2021

# INDEPENDENT AUDITOR'S REPORT

To the Members of **Neuland Laboratories Limited**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Neuland Laboratories Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2021, and the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of reports of other auditors on separate financial statements and on the other financial information of subsidiaries, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other accounting principles generally accepted in India, of their consolidated state of affairs of the Group as at March 31, 2021, of consolidated profit and other comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| | Key Audit Matter | How the KAM was addressed in our audit: |
|---|---|---|
| 1 | **Impairment of Goodwill**<br>Refer Note 35 to the consolidated financial statements.<br>Goodwill is tested for impairment by the Management on an annual basis as required by IND AS 36 - Impairment of Asset. In determining the fair value/ value in use of business reporting units, the Group has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates.<br>As at March 31, 2021, Goodwill represents 21.09% of the Group's total assets and 35.53% of the Group's total shareholder's equity. The Group has performed its annual impairment test of goodwill and determined that there no impairment is required to be done.<br>Due to significance of the above matter and involvement of the significant management judgement in estimation of fair value/ value in use, we have considered this as a key audit matter. | Our audit procedures in respect of this area included:<br>1. Obtained an understanding from the management with respect to process and controls followed by the Company to perform annual impairment test related to goodwill.<br>2. Assessed the Group's internal controls over preparation of annual budgets and future forecasts for the business as a whole and the approach followed for annual impairment test and key assumptions applied.<br>3. Assessed the reasonableness of the assumptions used and appropriateness of the valuation methodology applied and tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate.<br>4. Assessed reasonableness of the future revenue and margins, the historical accuracy of the Group's estimates and its ability to produce accurate long-term forecasts.<br>5. Compared the future operating cash flow forecasts with the business plan and budgets approved by the Board.<br>6. Assessed and validated the adequacy and appropriateness of the disclosures made by the management in the consolidated financial statements.<br>7. Verification of compliance with Ind AS 36 - Impairment of Assets.. |

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

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

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

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

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group .

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

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

We give in "Annexure A" a detailed description of Auditor's responsibilities for Audit of the Consolidated Financial Statements.

## Other Matters

a. We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets (before consolidation adjustments) of ₹ 618.51 lakhs as at March 31, 2021, total revenues (before consolidation adjustments) of ₹ 779.86 lakhs, total net profit (before consolidation adjustments) and other comprehensive income (before consolidation adjustments) of ₹ 33.58 lakhs and net cash flows (before consolidation adjustments) amounting to ₹ 7.70 Lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

   Further, both these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding

Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

## Report on Other Legal and Regulatory Requirements

1. 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 relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

   c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of 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 March 31, 2021 taken on record by the Board of Directors of the Holding Company none of the directors of the Holding company are disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.

   f. With respect to the adequacy of internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure B".

   g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) 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 of pending litigations on the consolidated financial position of the Group Refer Note 39 to the consolidated financial statements.

      ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.

2. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Group to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**
Partner
Membership No. 214198
UDIN: 21214198AAAABZ2942

Place: Hyderabad, INDIA
Date : May 11,2021

# ANNEXURE A

## ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**
Partner
Membership No. 214198
UDIN: 21214198AAAABZ2942

Place: Hyderabad, INDIA
Date : May 11,2021

# ANNEXURE B

## ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED

*[Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Neuland Laboratories Limited on the consolidated Financial Statements for the year ended March 31, 2021]*

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to consolidated financial statements of Neuland Laboratories Limited (hereinafter referred to as "the Holding Company") as of that date.

### Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company are responsible for establishing and maintaining internal financial controls based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("the 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

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements of the Holding company 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 prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 internal financial controls with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

### Meaning of Internal Financial Controls With Reference to Consolidated Financial Statements

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

### Inherent Limitations of Internal Financial Controls With Reference to Consolidated Financial Statements

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

### Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the Holding Company have, in all material respects, internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**
Partner
Membership No. 214198
UDIN: 21214198AAAABZ2942

Place: Hyderabad, INDIA
Date : May 11,2021

# Consolidated Balance Sheet

as at March 31, 2021

(₹ in lacs )

| | | Notes | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|---|
| **I.** | **ASSETS** | | | |
| | **Non-current assets** | | | |
| | Property, plant and equipment | 3 | 40,173.45 | 33,749.59 |
| | Right of use assets | | 1,224.37 | 384.39 |
| | Capital work-in-progress | | 1,725.02 | 2,375.12 |
| | Investment property | 34 | 1,890.64 | 2,981.39 |
| | Goodwill | 35 | 27,946.10 | 27,946.10 |
| | Other intangible assets | 4 | 349.75 | 195.76 |
| | **Financial assets** | | | |
| | (i) Investments | 5 | 44.00 | 35.83 |
| | (ii) Other financial assets | 6 | 584.04 | 912.98 |
| | Non-current tax assets | | 605.51 | 1,350.93 |
| | Other non-current assets | 7 | 2,977.16 | 1,647.16 |
| | **Total non-current assets** | | **77,520.04** | **71,579.25** |
| | **Current assets** | | | |
| | Inventories | 8 | 24,760.77 | 21,954.74 |
| | **Financial assets** | | | |
| | (i) Investments | 5 | 645.57 | 750.00 |
| | (ii) Trade receivables | 9 | 21,773.31 | 18,988.99 |
| | (iii) Cash and cash equivalents | 10 | 243.56 | 1,120.35 |
| | (iv) Bank balances other than (iii) above | 11 | 1,696.37 | 3,577.71 |
| | (v) Other financial assets | 6 | 309.31 | 356.68 |
| | Other current assets | 7 | 5,529.83 | 4,770.17 |
| | **Total current assets** | | **54,958.72** | **51,518.64** |
| | **Total assets** | | **1,32,478.76** | **1,23,097.89** |
| **II.** | **EQUITY AND LIABILITIES** | | | |
| | **Equity** | | | |
| | Equity share capital | 12 | 1,290.05 | 1,290.05 |
| | Other equity | 13 | 77,355.72 | 69,705.72 |
| | **Total equity** | | **78,645.77** | **70,995.77** |
| | **Liabilities** | | | |
| | **Non-current liabilities** | | | |
| | **Financial liabilities** | | | |
| | (i) Borrowings | 14 | 8,813.26 | 7,737.26 |
| | (ii) Lease liability | | 958.60 | 257.79 |
| | Provisions | 15 | 943.89 | 1,248.98 |
| | Deferred tax liabilities (net) | 16 | 5,975.68 | 4,778.11 |
| | Other non-current liabilities | 17 | 290.47 | 2,316.61 |
| | **Total non-current liabilities** | | **16,981.90** | **16,338.75** |
| | **Current liabilities** | | | |
| | **Financial liabilities** | | | |
| | (i) Borrowings | 14 | 5,698.44 | 16,817.26 |
| | (ii) Lease liability | | 253.19 | 156.63 |
| | (ii) Trade payables | | | |
| | - total outstanding dues of micro and small enterprises | 18 | 856.79 | 130.56 |
| | - total outstanding dues of creditors other than micro and small enterprises | | 14,356.66 | 11,425.74 |
| | (iii) Other financial liabilities | 19 | 8,973.82 | 4,601.23 |
| | Provisions | 15 | 64.26 | 227.31 |
| | Other current liabilities | 17 | 6,647.93 | 2,404.64 |
| | **Total current liabilities** | | **36,851.09** | **35,763.37** |
| | **Total liabilities** | | **53,832.99** | **52,102.12** |
| | **Total equity and liabilities** | | **1,32,478.76** | **1,23,097.89** |

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

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: 11 May 2021

Place: Hyderabad
Date: 11 May 2021

# Consolidated Statement of Profit and Loss

for the year ended March 31, 2021

(₹ in lacs)

| | | Notes | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|---|---|
| **I.** | **Income** | | | |
| | Revenue from operations | 20 | 93,691.31 | 76,271.08 |
| | Other income | 21 | 1,609.51 | 388.59 |
| | **Total income (I)** | | **95,300.82** | **76,659.67** |
| **II.** | **Expenses** | | | |
| | Cost of materials consumed | 22 | 43,965.70 | 39,135.59 |
| | Changes in inventories of finished goods and work-in-progress | 23 | (124.45) | (1,115.75) |
| | Employee benefits expense | 24 | 14,973.67 | 12,355.52 |
| | Finance costs | 25 | 1,789.83 | 2,157.35 |
| | Depreciation and amortisation expenses | 3 & 4 | 3,968.26 | 3,128.01 |
| | Manufacturing expenses | 26 | 12,028.58 | 9,759.63 |
| | Other expenses | 27 | 8,165.88 | 5,947.07 |
| | **Total expenses (II)** | | **84,767.47** | **71,367.42** |
| **III.** | **Profit before tax (I-II)** | | **10,533.35** | **5,292.25** |
| **IV.** | **Tax expense** | 28 | | |
| | Current tax | | 1,255.73 | 9.63 |
| | Deferred tax | | 1,214.55 | 3,661.57 |
| | **Total tax expense (IV)** | | **2,470.28** | **3,671.20** |
| **V.** | **Profit for the year (III-IV)** | | **8,063.07** | **1,621.05** |
| **VI.** | **Other comprehensive income** | | | |
| | **Items that will not be reclassified to profit or loss** | | | |
| | Re-measurement gains/(losses) on defined benefit plans | | (57.45) | (99.76) |
| | Equity instruments through other comprehensive income | | (96.26) | (4.09) |
| | Income tax relating to items that will not be reclassified to profit or loss | | 14.46 | 25.11 |
| | **Items that will be reclassified to profit or loss** | | | |
| | Exchange differences in translating the financial statements of foreign operations | | (17.22) | 35.34 |
| | **Total other comprehensive income for the year, net of tax (VI)** | | **(156.47)** | **(43.40)** |
| **VII.** | **Total comprehensive income for the year (V+VI)** | | **7,906.60** | **1,577.65** |
| **VIII.** | **Earnings per equity share [EPES] (in absolute ₹ terms)** | 29 | | |
| | Nominal value per equity share | | 10 | 10 |
| | Basic EPES | | 62.85 | 12.63 |
| | Diluted EPES | | 62.85 | 12.63 |

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

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: 11 May, 2021

Place: Hyderabad
Date: 11 May, 2021

# Consolidated Statement of Changes in Equity

as at March 31, 2021

## A. Equity share capital

(₹ in lacs)

| | Notes | Number of shares | Amount * |
|---|---|---|---|
| **As at 1 April 2019** | | **1,28,29,889** | **1,290.05** |
| Changes in equity share capital during the year | 12 | - | - |
| **As at 31 March 2020** | | **1,28,29,889** | **1,290.05** |
| Changes in equity share capital during the year | | - | - |
| **As at 31 March 2021** | | **1,28,29,889** | **1,290.05** |

## B. Other equity

(₹ in lacs)

| | Reserves and Surplus | | | | | Other Comprehensive Income | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Capital reserve | Securities premium | General reserve | Revaluation reserve | Retained earnings | FVOCI - equity instruments | Foreign currency translation reserve | Remeasurement of defined benefit plans | |
| **Balance as at 1 April 2019** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **15,901.00** | **44.27** | **38.83** | **2.42** | **68,640.73** |
| Profit for the year | - | - | - | - | 1,621.05 | - | - | - | 1,621.05 |
| Dividend paid (including dividend distribution tax) | - | - | - | - | (494.95) | - | - | - | (494.95) |
| Transitional impact on adoption of IND AS 116 - Leases | - | - | - | - | (17.71) | - | - | - | (17.71) |
| Other comprehensive income (net of tax) | - | - | - | - | - | (4.09) | 35.34 | (74.65) | (43.40) |
| **Balance as at 31 March 2020** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **17,009.39** | **40.18** | **74.17** | **(72.23)** | **69,705.72** |
| Profit for the year | - | - | - | - | 8,063.07 | - | - | - | 8,063.07 |
| Dividend paid (including dividend distribution tax) | - | - | - | - | (256.60) | - | - | - | (256.60) |
| Other comprehensive income (net of tax) | - | - | - | - | - | (96.26) | (17.22) | (42.99) | (156.47) |
| **Balance as at 31 March 2021** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **24,815.86** | **(56.08)** | **56.95** | **(115.22)** | **77,355.72** |

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

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: 11 May, 2021

Place: Hyderabad
Date: 11 May, 2021

# Consolidated Statement of Cash Flows

For the year ended March 31, 2021

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 10,533.35 | 5,292.25 |
| **Adjustments to reconcile profit before tax to net cash flow:** | | |
| Depreciation and amortisation expenses | 3,968.26 | 3,128.01 |
| Interest income | (166.75) | (216.21) |
| Loss/(Gain) on sale of property, plant and equipment, net | - | (39.06) |
| Loss/(Gain) on sale of investment properties, net | (1,309.25) | - |
| Finance costs | 1,789.83 | 2,157.35 |
| Unrealised foreign exchange gain/(loss), net | (147.80) | 39.55 |
| Unrealised gain on forward contracts | - | (80.33) |
| Provision towards doubtful trade receivables | 385.33 | 707.94 |
| Provision for employee benefits | (511.16) | 130.31 |
| **Operating cash flows before working capital changes** | **14,541.81** | **11,119.81** |
| **Movements in working capital:** | | |
| Changes in inventories | (2,806.03) | (2,689.32) |
| Changes in trade receivables | (3,007.50) | (2,949.93) |
| Changes in other assets | (897.66) | (238.76) |
| Changes in trade payables | 3,664.55 | (472.87) |
| Changes in other financial assets | 327.92 | (629.22) |
| Changes in other financial liabilities | 3,023.22 | 1,122.01 |
| Changes in other liabilities | 4,617.15 | 940.81 |
| **Cash generated from operating activities** | **19,463.46** | **6,202.53** |
| Income-taxes paid, net | (527.29) | (468.41) |
| **Net cash generated from operating activities (A)** | **18,936.17** | **5,734.12** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and other intangible assets | (10,539.70) | (4,879.68) |
| Proceeds from sale of property, plant and equipment | 0.85 | 78.00 |
| Movement in other bank balances | 1,881.34 | (587.04) |
| Interest income received | 215.14 | 520.76 |
| **Net cash used in investing activities (B)** | **(8,442.37)** | **(4,867.96)** |
| **Cash flows from financing activities** | | |
| Proceeds from short-term borrowings, net | (11,143.58) | 1,635.36 |
| Proceeds from long-term borrowings | 3,636.46 | 3,136.77 |
| Repayment of long-term borrowings | (1,459.17) | (2,235.22) |
| Repayment of lease liability | (253.53) | (153.34) |
| Dividend paid | (256.60) | (494.95) |
| Interest on lease liability | (98.02) | (39.63) |
| Interest paid | (1,791.60) | (2,397.03) |
| **Net cash generated from financing activities (C)** | **(11,366.04)** | **(548.04)** |

*Table continued to next page*

# Consolidated Statement of Cash Flows

For the year ended March 31, 2021

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Net decrease/(increase) in cash and cash equivalents during the year (A + B + C)** | **(872.24)** | **318.12** |
| Cash and cash equivalents at the beginning of the year | 1,120.35 | 793.77 |
| Effect of exchange rate changes on cash and cash equivalents | (4.55) | 8.46 |
| **Cash and cash equivalents at the end of the year (Note 1)** | **243.56** | **1,120.35** |

## Note 1:

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Cash and cash equivalents includes** | | |
| Balances with banks in current accounts | 209.02 | 918.13 |
| Balances with banks in cash credit accounts | 31.36 | 199.49 |
| Cash on hand | 3.18 | 2.73 |
| | **243.56** | **1,120.35** |

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

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: 11 May, 2021

Place: Hyderabad
Date: 11 May, 2021

# Notes to Financial Statements

for the year ended March 31, 2021

## 1. Corporate information

Neuland Laboratories Limited ("the Company") is a public limited company incorporated and domiciled in India. The Company's registered office is at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No 2, Banjara Hills, Hyderabad – 500 034. The shares of the company are listed on two recognised stock exchanges of India viz. the National Stock Exchange of India Limited and BSE Limited. The Company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets.

The Board of Directors approved the consolidated financial statements for the year ended March 31, 2021 and authorised for issue on May 11, 2021.

## 2. Basis of preparation of consolidated financial statements

**Statement of Compliance with Ind AS**

The consolidated financial statements of the Company along with its subsidiaries (together referred to as "Group") have been prepared in accordance with the Indian Accounting Standards ("Ind AS") as notified under Section 133 of the Companies Act 2013 ("the Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules 2015, as amended, issued by the Ministry of Corporate Affairs ('MCA').

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These consolidated financial statements have been prepared for the group as a going concern on the basis of relevant Ind AS that are effective at the group's annual reporting date 31 March 2021.

These consolidated financial statements have been prepared on the historical cost convention and on an accrual basis except for the following material items in the balance sheet:

- Certain financial assets and liabilities which are measured at fair value;
- Net defined benefit assets / (liability) are measured at fair value of plan assets, less present value of defined benefit obligations.

**Principles of consolidation**

Subsidiary

Subsidiary is entity (including structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in full while preparing these consolidated financial statements.

Interest in the subsidiary

The following subsidiaries have been considered for the purpose of preparation of the consolidated financial statements:

| Name of the subsidiary | Country of Incorporation | Percentage holding/ interest (%) | |
|---|---|---|---|
| | | As at 31 March 2021 | As at 31 March 2020 |
| Neuland Laboratories Inc. | United States of America | 100 | 100 |
| Neuland Laboratories K.K | Japan | 100 | 100 |

Principal activity of the subsidiary is providing marketing support services to Neuland Laboratories Limited (Parent Company).

**(i) Use of estimates and judgements**

The preparation of consolidated financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities,

# Notes to Financial Statements

for the year ended March 31, 2021

the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the consolidated financial statements in the period in which changes are made and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note (c), (e), (f) and (g) - Useful lives of property, plant and equipment, investment properties, goodwill and other intangible assets;
- Note (h) - Impairment;
- Note (i) - Financial instruments;
- Note (n) - Employee benefits;
- Note (r) - Provisions, contingent liabilities and contingent assets; and
- Note (p) - Income taxes

**(ii) Summary of significant accounting policies**

The consolidated financial statements have been prepared using the accounting policies and measurement basis summarized below.

**a. Functional currency**

The consolidated financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the group. All financial information presented in Indian rupees has been rounded to the nearest lakhs, unless otherwise stated.

**b. Current and non-current classification**

All the assets and liabilities have been classified as current or non-current as per the group's normal operating cycle and other criteria set out in the Division II – Ind AS Schedule III to the Act.

The group presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is classified as current when it is:

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

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Current assets / liabilities include the current portion of non-current assets / liabilities respectively. All other assets / liabilities including deferred tax assets and liabilities are classified as non-current.

# Notes to Financial Statements

for the year ended March 31, 2021

**c. Property, plant and equipment (PPE)**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, taxes (other than those subsequently recoverable from tax authorities), borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the group and the cost of item can be measured reliably. If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances. Capital work- in- progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date.

Depreciation on property, plant and equipment is calculated on pro-rata basis on straight-line method using the useful lives of the assets estimated by management. The useful life is as follows:

| Asset | Useful Life (in years) |
|---|---|
| Buildings | 25 & 30 |
| Plant and equipment | 7 to 20 |
| Office equipment | 2 to 5 |
| Furniture and fixtures | 2 to 10 |
| Vehicles | 4 & 8 |
| Computers | 3 & 6 |

Depreciation on additions / disposals is provided on a pro-rata basis i.e. from / upto the date on which asset is ready for use / disposed-off.

The useful lives are based on historical experience with similar assets as well as anticipation of future events. The residual values are not more than 5% of the original cost of the assets. The residual values, useful lives and method of depreciation of are reviewed at each financial year-end and adjusted prospectively, if appropriate.

**d. Leases :**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

The Group recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date

# Notes to Financial Statements

for the year ended March 31, 2021

less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. For leases with reasonably similar characteristics, the Group, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Group recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in statement of profit and loss.

The Group has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Group is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

**e. Investment properties**

Property that is held for long term rental yields or for capital appreciation or for both, and that is not occupied by the group, is classified as investment property. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. When the use of a property changes from owner occupied to investment property, the property is reclassified as investment property at it's carrying amount on the date of reclassification.

**f. Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the

# Notes to Financial Statements

for the year ended March 31, 2021



aggregate consideration transferred, then the gain is recognised in other comprehensive income and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**g. Other intangible assets**

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment. These are derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from disposal of the intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the assets are disposed off.

Intangible assets are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The other intangible assets comprise of computer software expenditure and are amortized over a period of three years. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

**h. Impairment**

Impairment of non-financial assets

The carrying amounts of the group's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised in the statement of profit or loss if the estimated recoverable amount of an asset or its cash generating unit is lower than its carrying amount. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

# Notes to Financial Statements

for the year ended March 31, 2021

Impairment of financial assets

In accordance with Ind AS 109, the group applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on financial assets measured at amortised cost.

Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime expected credit losses. For all other financial assets, ECL are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL.

Loss allowance for financial assets measured at amortised cost are deducted from gross carrying amount of the assets.

**i. Financial instruments**

Initial Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value and, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

**Financial assets**

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- fair value through other comprehensive income ("FVTOCI") – debt investment;
- FVTOCI – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the group changes its business model for managing financial assets.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Other Income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss.

FVTOCI – debt investment

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Notes to Financial Statements

for the year ended March 31, 2021

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the group recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method

Equity investment

On initial recognition of an equity investment that is not held for trading, the group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVTOCI – equity investment). This election is made on an investment by- investment basis.

If the group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, including foreign exchange gain or loss and excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to profit or loss, even on sale of investment. However, the group may transfer the cumulative gain or loss within equity. Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit or loss.

FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss. Any gain or loss on derecognition is also recognised in statement of profit or loss.

De-recognition

**Financial assets**

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the group has transferred its rights to receive cash flows from the asset.

**Financial liabilities**

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

The group uses derivative financial instruments such as forward exchange contracts and interest rate risk exposures to hedge its risk associated with foreign currency fluctuations and changes in interest rates. Derivatives are initially measured at fair value and subsequent to initial recognition, derivatives are measured at fair value, and changes therein

# Notes to Financial Statements

for the year ended March 31, 2021

are generally recognised in statement of profit or loss, since the group's hedging instruments did not qualify for hedge accounting in accordance with the Ind-AS 39. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposit held at call with financial institutions, other short - term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Other income - Dividend income

Dividend income is recognised when the group's right to receive the payment is established, which is generally, when shareholders approve the dividend.

**j. Inventories**

Basis of valuation:

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of engineering spares (such as machinery spare parts) and consumables or consumed as indirect materials in the manufacturing process.

Method of Valuation:

The Cost of raw materials, stores and consumables has been determined by using weighted average cost method and comprises all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventories to their present location and condition.

The Cost of finished goods and work-in-progress includes direct labour and an appropriate share of fixed and variable production overheads and excise duty as applicable. Fixed production overheads are allocated on the basis of normal capacity of production facilities. Cost is determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**k. Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are translated into the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the fair value was measured.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise

**l. Revenue recognition**

Revenue from contract with customers

The group derives revenues primarily from sale of active pharmaceutical ingredients and contract research services. Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or

# Notes to Financial Statements

for the year ended March 31, 2021

services to customers in an amount that reflects the consideration the group expects to receive in exchange for those products or services.

The group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

i. the customer simultaneously receives and consumes the benefits provided by the group's performance as the group performs; or

ii. the group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii. the group's performance does not create an asset with an alternative use to the group and an entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue in excess of invoicing are classified as contract asset while collections in excess of revenues are classified as contract liabilities.

In respect of contracts involving bill-and-hold arrangements, the group determines whether the control of the underlying products have been transferred to the customer. For the purpose of determining whether such control is transferred, the entity considers the following requirements as required by Ind AS 115:

i. The reason for the bill-and-hold arrangement is substantive (i.e. the physical possession with the entity is pursuant to the customer's explicit request);

ii. The product is separately identified as belonging to the customer;

iii. The product is ready for physical transfer to the customer; and

iv. The entity does not have the ability to use the product or to direct it to another customer.

The entity recognizes revenue in respect of bill-and-hold arrangements only when all of the aforementioned requirements are met. Further, at the time of such recognition, the entity also determines whether there are any material unsatisfied performance obligations and determines the portion of the aggregate consideration, if any, that needs to be allocated and deferred.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

### Other operating revenue - Export incentives

Export Incentives under various schemes are recognised in the year of export in accordance with their respective underlying scheme at fair value of consideration received or receivable.

### Other income - Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

### Other income - Dividend income

Dividend income is recognised when the group's right to receive the payment is established, which is generally, when shareholders approve the dividend.

# Notes to Financial Statements

for the year ended March 31, 2021

**m. Borrowing costs**

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**n. Retirement and other employee benefits**

Defined contribution plan

The group's contributions to defined contribution plans are recognised as an expense as and when the services are received from the employees entitling them to the contributions.

Defined benefit plan

The liability in respect of defined benefit plans is calculated using the projected unit credit method with actuarial valuations being carried out at the end of each annual reporting period. The group recognises the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through remeasurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The effect of any plan amendments are recognised in the statement of profit and loss.

**o. Government grants**

The group recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in-relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to reimbursement of expenses incurred are recognized in statement of profit and loss as other income.

**p. Taxes**

Tax expense recognized in statement of profit or loss consists of current and deferred tax except to the extent that it relates to items recognised in OCI or directly in equity, in which case it is recognised in OCI or directly in equity respectively.

Current income tax, assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) enacted in India by using tax rates and the tax laws that are enacted at the reporting date. Current tax assets and tax liabilities are offset where the group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off corresponding current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the group.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the group and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

**q. Research and development expense**

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as expense when incurred. Development activities involve a plan or

# Notes to Financial Statements

for the year ended March 31, 2021

design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if:

- The product or the process is technically and commercially feasible;
- Future economic benefits are probable and ascertainable;
- The group intends to and has sufficient resources, technical and financial, to complete development of the product and has the ability to use or sell the asset; and
- Development costs can be measured reliably.

Where the aforementioned criteria are not met, the expenditure is transferred to statement of profit and loss.

**r. Provisions, contingent liabilities and contingent assets**

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the group; or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

**s. Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential ordinary shares

**(iii)** On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

**Balance Sheet:**

- Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current.
- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
- Specified format for disclosure of shareholding of promoters.
- Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.
- If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc

**Statement of profit and loss:**

- Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the standalone financial statements.

The amendments are extensive and the Company will evaluate the same to give effect to them as required by law.

# Notes to Financial Statements

for the year ended March 31, 2021

## 3. Property, plant and equipment

(₹ in lacs)

| | Freehold land | Buildings | Plant and equipment | Office equipment | Furniture and fixtures | Vehicles | Computers | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross carrying value (at deemed cost)** | | | | | | | | |
| As at 01 April 2019 | 1,074.28 | 8,531.26 | 18,251.03 | 55.29 | 151.72 | 679.06 | 445.45 | 29,188.09 |
| Additions | - | 3,521.68 | 9,685.89 | 6.74 | 15.84 | 209.11 | 170.93 | 13,610.19 |
| Disposals/retirement | - | - | (55.19) | - | - | (164.40) | - | (219.59) |
| **Balance as at 31 March 2020** | **1,074.28** | **12,052.94** | **27,881.73** | **62.03** | **167.56** | **723.77** | **616.38** | **42,578.69** |
| Additions | - | 1,695.67 | 7,824.30 | 17.51 | 53.26 | 203.75 | 186.33 | 9,980.82 |
| Disposals/retirement | - | - | (127.02) | (0.40) | - | (68.68) | (3.26) | (199.36) |
| **Balance as at 31 March 2021** | **1,074.28** | **13,748.61** | **35,579.01** | **79.14** | **220.82** | **858.84** | **799.45** | **52,360.15** |
| Accumulated depreciation | | | | | | | | |
| Upto 01 April 2019 | - | 807.72 | 4,949.27 | 19.62 | 33.61 | 166.19 | 169.87 | 6,146.28 |
| Charge for the year | - | 409.25 | 2,091.48 | 6.18 | 12.36 | 225.34 | 118.87 | 2,863.48 |
| Adjustments for disposals/retirement | - | - | (51.71) | - | - | (128.95) | - | (180.66) |
| **Balance as at 31 March 2020** | **-** | **1,216.97** | **6,989.04** | **25.80** | **45.97** | **262.58** | **288.74** | **8,829.10** |
| Charge for the year | - | 507.40 | 2,680.68 | 11.05 | 19.39 | 186.69 | 123.56 | 3,528.77 |
| Adjustments for disposals/retirement | - | - | (115.04) | (0.36) | - | (52.67) | (3.10) | (171.17) |
| **Balance as at 31 March 2021** | **-** | **1,724.37** | **9,554.68** | **36.49** | **65.36** | **396.60** | **409.20** | **12,186.70** |
| **Net carrying value as at 31 March 2020** | **1,074.28** | **10,835.97** | **20,892.69** | **36.23** | **121.59** | **461.19** | **327.64** | **33,749.59** |
| **Net carrying value as at 31 March 2021** | **1,074.28** | **12,024.24** | **26,024.33** | **42.65** | **155.46** | **462.24** | **390.25** | **40,173.45** |

*Note:*

1. *Free hold land includes land aggregating to ₹3.30, are held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in note: 39(c).*
2. *Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings*
3. *Refer note 41 for details of expenditure during construction period transferred from capital work-in-progress to property, plant and equipment.*
4. *Depreciation and amortisation expenses as per Statement of Profit & Loss includes ₹310.99 towards depreciation on Right to use assets*

## 4. Other intangible assets

(₹ in lacs)

| | Computer Software | Total |
|---|---|---|
| **Gross carrying value (at deemed cost)** | | |
| As at 1 April 2019 | 409.75 | 409.75 |
| Additions | 113.98 | 113.98 |
| **Balance as at 31 March 2020** | **523.73** | **523.73** |
| Additions | 282.48 | 282.48 |
| **Balance as at 31 March 2021** | **806.21** | **806.21** |
| **Accumulated amortization** | | |
| Up to 1 April 2019 | 229.05 | 229.05 |
| Charge for the year | 98.92 | 98.92 |
| **Balance as at 31 March 2020** | **327.97** | **327.97** |
| Charge for the year | 128.49 | 128.49 |
| **Balance as at 31 March 2021** | **456.46** | **456.46** |
| **Net carrying value as at 31 March 2020** | **195.76** | **195.76** |
| **Net carrying value as at 31 March 2021** | **349.75** | **349.75** |

# Notes to Financial Statements

for the year ended March 31, 2021

## 5. Investments

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| **Investments in unquoted equity shares (fully paid up, unless stated otherwise)** | | |
| In others (carried at fair value through profit and loss) | | |
| 2,200 (31 March 2020: 2,200)equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited | 2.20 | 2.20 |
| 209,136 (31 March 2020: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited | 20.91 | 20.91 |
| **Investments in unquoted government securities (carried at fair value through profit and loss)** | **1.61** | **1.61** |
| **Investment in quoted mutual funds (carried at at fair value through other comprehensive income)** | | |
| 100,000 (31 March 2020: 100,000) units of ₹10 each in SBI Mutual Fund | 19.28 | 11.11 |
| **Total non-current investments** | **44.00** | **35.83** |
| Aggregate value of unquoted investments | 24.72 | 24.72 |
| Aggregate value of quoted investments | 19.28 | 11.11 |
| Aggregate amount of impairment in value of investments | - | - |
| **Current** | | |
| **Investment in other at FVTOCI** | | |
| 402,000 (31 March 2020: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited | 645.57 | 750.00 |
| Note: | | |
| Aggregate value of unquoted investments | 645.57 | 750.00 |
| Aggregate value of quoted investments | - | - |
| Aggregate amount of impairment in the value of investments | 104.43 | - |

## 6. Other financial assets

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **(Unsecured, considered good)** | | |
| **Non-current** | | |
| Security deposits | 584.04 | 583.08 |
| Fixed deposits with more than 12 months maturity | - | 329.90 |
| | **584.04** | **912.98** |
| **Current** | | |
| Interest accrued on bank deposits | 16.56 | 64.95 |
| Unbilled revenue | 292.75 | 211.40 |
| Derivatives - foreign currency forward contracts | - | 80.33 |
| | **309.31** | **356.68** |

# Notes to Financial Statements

for the year ended March 31, 2021

## 7. Other assets

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **(Unsecured, considered good)** | | |
| **Non-current** | | |
| Capital Advances | 1,204.73 | 12.73 |
| Balances with government authorities | 1,772.43 | 1,634.43 |
| | **2,977.16** | **1,647.16** |
| **Current** | | |
| Prepaid expenses | 717.48 | 608.27 |
| Balances with government authorities | 2,661.39 | 2,004.07 |
| Advance to suppliers | 1,310.17 | 899.30 |
| Export benefits receivable | 149.99 | 781.61 |
| Other advances | 690.80 | 476.92 |
| | **5,529.83** | **4,770.17** |

## 8. Inventories (at lower of cost or net realisable value)

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Raw materials [including goods in transit of ₹1,346.73 (31 March 2020: ₹570.64)] | 7,857.31 | 5,500.27 |
| Work-in-progress | 10,763.26 | 11,016.30 |
| Finished goods | 4,902.96 | 4,525.47 |
| Stores and consumables | 1,237.24 | 912.70 |
| | **24,760.77** | **21,954.74** |

## 9. Trade receivables

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Trade receivables considered good - secured | - | - |
| Trade receivables considered good - unsecured | 21,773.31 | 18,988.99 |
| Trade receivables which have significant increase in credit risk | 337.31 | 805.40 |
| Trade receivables - credit impaired | - | - |
| | **22,110.62** | **19,794.39** |
| Less: Loss allowance for doubtful receivables | (337.31) | (805.40) |
| | **21,773.31** | **18,988.99** |

*Note:*

1. *No trade receivables are due from any related parties including directors or other officers of the Company either severally or jointly with any other person.*
2. *Refer note 31 for the Company's credit risk management process*

## 10. Cash and cash equivalents

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Balance with banks: | | |
| in current accounts | 209.02 | 918.13 |
| in cash credit accounts | 31.36 | 199.49 |
| Cash on hand | 3.18 | 2.73 |
| | **243.56** | **1,120.35** |

# Notes to Financial Statements

for the year ended March 31, 2021

## 11. Bank balances other than cash and cash equivalents

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Unpaid dividend account | 13.12 | 12.14 |
| Fixed Deposits | 1,683.25 | 3,565.57 |
| | **1,696.37** | **3,577.71** |

** Includes deposits amounting to ₹1,517.25 (31 March 2020: ₹2,605.40) held as margin money/commitment with the banks.*

## 12. Equity share capital

(₹ in lacs)

| | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| Authorized share capital | | | | |
| Equity shares of ₹10 each | 4,40,00,000 | 4,400.00 | 4,40,00,000 | 4,400.00 |
| Issued share capital | | | | |
| Equity shares of ₹10 each | 1,30,23,434 | 1,302.34 | 1,30,23,434 | 1,302.34 |
| Subscribed share capital | | | | |
| Equity shares of ₹10 each | 1,29,33,165 | 1,293.32 | 1,29,33,165 | 1,293.32 |
| Fully paid-up share capital | | | | |
| Equity shares of ₹10 each | 1,28,29,889 | 1,282.99 | 1,28,29,889 | 1,282.99 |
| Add: Forfeited equity shares of ₹10 each | 1,03,276 | 7.06 | 1,03,276 | 7.06 |
| | | **1,290.05** | | **1,290.05** |

### i. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

(₹ in lacs)

| | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Equity shares** | | | | |
| Balance at the beginning of the year | 1,28,29,889 | 1,282.99 | 1,28,29,889 | 1,282.99 |
| Add: Issued during the year | - | - | - | - |
| **Balance at the end of the year** | **1,28,29,889** | **1,282.99** | **1,28,29,889** | **1,282.99** |

### ii. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to prior consent from consortium and approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

### iii. Details of shareholders holding more than 5% equity shares in the Company

| Name of the equity shareholders | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | Number | % holding | Number | % holding |
| Dr. D R Rao | 32,03,474 | 24.97% | 31,78,262 | 24.77% |
| Malabar India Fund Limited | 12,77,096 | 9.95% | 12,77,096 | 9.95% |
| Steadview Capital Mauritius Limited | - | - | 12,70,159 | 9.90% |

# Notes to Financial Statements

for the year ended March 31, 2021

## 13. Other equity

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Reserves and surplus | | |
| Capital reserve | 3.32 | 3.32 |
| Securities premium | 49,777.35 | 49,777.35 |
| General reserve | 2,789.65 | 2,789.65 |
| Revaluation reserve | 83.89 | 83.89 |
| Retained earnings | 24,815.87 | 17,009.39 |
| **Total reserves and surplus** | **77,470.08** | **69,663.60** |
| Other comprehensive income | | |
| FVOCI - Equity instruments, net of taxes | (56.08) | 40.18 |
| Foreign currency translation reserve | 56.94 | 74.17 |
| Remeasurement of defined benefit plan, net of taxes | (115.22) | (72.23) |
| **Total Other comprehensive income** | **(114.36)** | **42.12** |
| | **77,355.72** | **69,705.72** |

### Nature and purpose of reserves

**Capital reserve**

Capital reserve was created on account of merger of Neuland Drugs & Pharmaceuticals Private Limited with the Company. The Company uses capital reserve for transactions in accordance with the provisions of the Act.

**Securities premium**

The amount received in excess of face value of the equity shares is recognised in securities premium. In case of equity-settled share based payment transactions, the difference between fair value on grant date and face value of share is accounted as securities premium. This reserve is utilised in accordance with the provisions of the Act.

**General reserve**

General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes.

**Revaluation reserve**

Revaluation reserve was created on account of revaluation of certain property, plant and equipment during the earlier years.

**FVOCI equity instruments**

The Company has elected to recognise the change in fair value of certain investments in other comprehensive income. These changes are accumulated within the FVOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

**Foreign currency translation reserve**

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

**Remeasurement of defined benefit plan**

The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit obligations of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to statement of profit or loss.

# Notes to Financial Statements

for the year ended March 31, 2021

## 14. Borrowings

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| **Secured** | | |
| Term loans | | |
| From banks | 11,005.62 | 6,806.73 |
| From other parties | - | 2,053.57 |
| Other loans | | |
| From banks | 106.52 | 100.23 |
| From other parties | 206.95 | 181.27 |
| | **11,319.09** | **9,141.80** |
| Less: Current maturities of long-term borrowings | 2,505.83 | 1,404.54 |
| | **8,813.26** | **7,737.26** |

### (a) Terms and conditions of loans and nature of security

(₹ in lacs)

| Loan | Outstanding Amount as at 31 March 2021 | Outstanding Amount as at 31 March 2020 | Number of instalments | Repayment start date |
|---|---|---|---|---|
| Term Loan 1 | - | 160.00 | 18/ Quarterly | September'16 |
| Term Loan 2 | 3,048.14 | 3,689.86 | 28/ Quarterly | March'19 |
| Term Loan 3 | 1,696.43 | 2,053.57 | 28/ Quarterly | April'19 |
| Term Loan 4 | 2,782.94 | 2,956.87 | 17/ Quarterly | January'21 |
| Term Loan 5 | 3,478.11 | - | 20/ Quarterly | June'21 |

(i) The above loans are secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. All the above term loan (except Term Loan 5) from banks are also secured by way of personal guarantees extended by Dr. Davaluri Rama Mohan Rao and Davuluri Sucheth Rao. Term Loan 1 was fully repaid during the year and the charge is released.

(ii) Vehicles loans outstanding to the tune of ₹313.47 (31 March 2020: ₹281.50) are secured by hypothecation of specific vehicles against which the loan was availed. Vehicle loans are repayable in instalments ranging from 35 to 59 months from the date of the loan.

(iii) All the above loans carry interest in the range of 7.55% to 9.85% per annum (31 March 2020: 6.70% to 12.50% per annum).

(iv) Details of repayment of non-current borrowings

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Up to 1 year | 2,505.83 | 1,404.54 |
| From 1 to 3 years | 4,938.37 | 3,535.62 |
| 3 years and above | 3,874.89 | 4,201.64 |
| | **11,319.09** | **9,141.80** |

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Current** | | |
| Secured loans from banks | 5,698.44 | 16,817.26 |
| | **5,698.44** | **16,817.26** |

# Notes to Financial Statements

for the year ended March 31, 2021

(i) Loans outstanding represent cash credit, packing credit and working capital demand loan facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 0.64% to 9.40% per annum (31 March 2020: 2% to 12.75% per annum).

(ii) The above loans with all working capital lenders are secured by way of pari-passu first charge on all the current assets of the Company and pari-passu second charge on Company's property, plant and equipment. All of the above working capital loans are also secured by way of personal guarantees extended by Dr. Davaluri Rama Mohan Rao and Davuluri Sucheth Rao and pari-passu charge on 200,000 equity shares of the Company held by Dr. D R Rao, in favour of the working capital lenders.

## 15. Provisions

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Non-current | | |
| Gratuity (refer note a) | 686.10 | 1,026.89 |
| Compensated absences | 257.79 | 222.09 |
| | **943.89** | **1,248.98** |
| Current | | |
| Gratuity (refer note a) | - | 176.19 |
| Compensated absences | 64.26 | 51.12 |
| | **64.26** | **227.31** |

**(a) Gratuity**

The Company has a defined benefit funded gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC) & Kotak Gratuity Group Plan. Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes up to a maximum limit of ₹20.

The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

(₹ in lacs)

| | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **(i)** | **Change in projected benefit obligation** | | |
| | Projected benefit obligation at the beginning of the year | 1,199.64 | 1,038.80 |
| | Service cost | 116.42 | 112.02 |
| | Interest cost | 74.12 | 76.46 |
| | Actuarial (gain) / loss | 55.97 | 88.48 |
| | Benefits paid | (177.34) | (116.12) |
| | Projected benefit obligation at the end of the year | **1,268.81** | **1,199.64** |
| **(ii)** | **Change in plan assets** | | |
| | Fair value of plan assets at the beginning of the year | 27.08 | 23.08 |
| | Value adjustment | (1.48) | (11.28) |
| | Expected return on plan assets | 1.83 | 1.80 |
| | Employer contributions | 775.41 | 123.88 |
| | Benefits paid | (185.89) | (110.40) |
| | Fair value of plan assets at the end of the year | **616.95** | **27.08** |
| **(iii)** | **Reconciliation of present value of obligation on the fair value of plan assets** | | |
| | Present value of projected benefit obligation at the end of the year | 1,268.81 | 1,199.64 |
| | Funded status of the plans | (616.95) | (27.08) |
| | Net liability recognised in the balance sheet | **651.86** | **1,172.56** |

*Table continued to next page*

# Notes to Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

| | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **(iv)** | **Expense recognized in the statement of profit and loss** | | |
| | Service cost | 116.42 | 112.02 |
| | Interest cost | 74.12 | 76.46 |
| | Expected returns on plan assets | (1.83) | (1.80) |
| | Net gratuity costs | **188.71** | **186.68** |
| **(v)** | **Expense recognized in OCI** | | |
| | Recognized net actuarial (gain)/ loss | 57.45 | 99.76 |
| | | **57.45** | **99.76** |
| **(v)** | **Key actuarial assumptions** | | |
| | **Financial assumptions** | | |
| | Discount rate | 6.86% | 6.75% |
| | Expected return on plan assets | 6.75% | 7.80% |
| | Withdrawal Rate | 4.00% | 4.00% |
| | Salary escalation rate | 4.00% | 4.00% |
| | Demographic assumptions | | |
| | Mortality rate as per Indian Assured Lives Mortality 2012-14 table | | |
| **(vi)** | **Sensitivity Analysis** | | |
| | Impact on defined benefit obligation | 1,268.80 | 1,199.64 |
| | Delta effect of +1% change in discount rate | 1,196.56 | 1,124.98 |
| | Delta effect of -1% change in discount rate | 1,364.95 | 1,284.17 |
| | Delta effect of +1% change in salary escalation rate | 1,363.59 | 1,281.09 |
| | Delta effect of -1% change in salary escalation rate | 1,195.91 | 1,126.16 |
| **(vii)** | **Maturity analysis of projected benefit obligation** | | |
| | 1 year | 152.27 | 145.66 |
| | 2 to 5 years | 420.29 | 310.28 |
| | 6 to 10 years | 553.44 | 597.64 |
| | More than 10 years | 135.97 | 146.06 |

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and salary escalation rate. The calculation of the net defined benefit liability is sensitive to these assumptions. Sensitivity to these factors is disclosed above.

## 16. Deferred tax liabilities (net)

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Deferred tax liabilities arising on account of :** | | |
| Property, plant and equipment and goodwill | 6,942.01 | 6,667.78 |
| **Deferred tax assets arising on account of :** | | |
| Employee benefits | (518.19) | (601.00) |
| Provision for trade receivables and advances | (90.61) | (189.07) |
| Unabsorbed business losses | - | (507.31) |
| Investment properties | (440.44) | (673.03) |
| Others | 82.91 | 80.74 |
| **Deferred tax liabilities (net)** | **5,975.68** | **4,778.11** |

# Notes to Financial Statements

for the year ended March 31, 2021

(a) In assessing whether the deferred tax assets will be realised, management considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of the deferred income tax assets in the nature of business loss carry forward is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realise the benefits of those recognised deductible difference of business loss carry forward. Recoverability of deferred tax assets is based on estimates of future taxable income and any changes in such future taxable income would impact the recoverability of deferred tax assets. However, management believes that any reasonable possible change in the key assumptions would not effect the Company's ability to recover the deferred tax asset

## 17. Other current liabilities

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| Advance from customers | 3.00 | 2,028.00 |
| Security deposit received | 287.47 | 288.61 |
| | **290.47** | **2,316.61** |
| **Current** | | |
| Advance from customers | 6,360.72 | 2,167.19 |
| Statutory liabilities | 287.21 | 237.45 |
| | **6,647.93** | **2,404.64** |

## 18. Trade payables

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Total outstanding dues of micro enterprises and small enterprises | 856.79 | 130.56 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 14,356.66 | 11,425.74 |
| | **15,213.45** | **11,556.30** |

*Note :*

1. *Refer note 31 for the Company's liquidity risk management process*
2. *The Micro and Small Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors. Details of dues to such parties are given below:*

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| The principal amount remaining unpaid as at the end of the year | 856.79 | 130.56 |
| The amount of interest accrued and remaining unpaid at the end of the year | 8.90 | 0.93 |
| Amount of interest paid by the company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year. | - | - |
| Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006) | - | - |
| The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006) | - | - |

# Notes to Financial Statements

for the year ended March 31, 2021

## 19. Other financial liabilities

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Current** | | |
| Current maturities of long-term debt (refer note 14) | 2,505.83 | 1,404.54 |
| Interest accrued but not due on borrowings | 39.60 | 25.22 |
| Unclaimed dividends | 13.16 | 12.16 |
| Creditors for capital goods | 1,148.96 | 924.89 |
| Employee related liabilities | 1,133.96 | 841.58 |
| Accrual for expenses | 3,284.45 | 1,392.84 |
| Others | 847.86 | - |
| | **8,973.82** | **4,601.23** |

## 20. Revenue from operations

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Sale of products | 88,125.24 | 70,898.49 |
| Sale of services | 3,692.43 | 2,546.66 |
| Other operating revenue | | |
| Sale of impurities | 253.49 | 285.16 |
| Export incentives | 1,264.79 | 2,044.51 |
| Scrap sales | 355.36 | 496.26 |
| | **93,691.31** | **76,271.08** |

*Revenue disaggregation as per geography has been included in segment information (Refer note 36).*

## Unsatisfied performance obligations

The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations in case of contracts for which revenues are recorded over a period of time is ₹1,077.62, which is expected to be fully recognised as revenue in the next year. No consideration from contracts with customers is excluded from the amount mentioned above and contract asset relating to partially satisfied performance obligations aggregates to ₹292.75 as at 31 March 2021 (31 March 2020: ₹ 211.40)

## 21. Other income

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Interest income | 166.75 | 216.21 |
| Incentive under market access initiative scheme | 5.59 | 131.50 |
| Profit on sale of property, plant and equipment, net | - | 39.06 |
| Profit on sale of Investement in Properties (net) | 1,309.25 | - |
| Other non-operating income | 127.92 | 1.82 |
| | **1,609.51** | **388.59** |

## 22. Cost of raw materials consumed

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Raw material and packing material at the beginning of the year | 5,500.27 | 4,555.14 |
| Add: Purchases during the year* | 46,322.74 | 40,080.72 |
| Less: Raw material and packing material at the end of the year | 7,857.31 | 5,500.27 |
| | **43,965.70** | **39,135.59** |

**Disclosed based on derived figures, rather than actual records of issue.*

# Notes to Financial Statements

for the year ended March 31, 2021

## 23. Changes in inventories of finished goods and work-in-progress

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Opening stock** | | |
| - Finished goods | 4,525.47 | 3,965.66 |
| - Work-in-progress | 11,016.30 | 10,113.50 |
| | **15,541.77** | **14,079.16** |
| **Closing balance** | | |
| - Finished goods | 4,902.96 | 4,525.47 |
| - Work-in-progress | 10,763.26 | 11,016.30 |
| | **15,666.22** | **15,541.77** |
| - Less: Trial run inventory | - | (346.86) |
| | **(124.45)** | **(1,115.75)** |

## 24. Employee benefits expense

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Salaries, wages and bonus | 13,289.46 | 10,961.75 |
| Contribution to provident and other funds (refer note (a) below) | 568.98 | 509.94 |
| Gratuity expense | 188.71 | 186.68 |
| Compensated absences expense | 141.24 | 108.91 |
| Staff welfare expenses | 785.28 | 588.24 |
| | **14,973.67** | **12,355.52** |

(a) During the year ended 31 March 2021, the Company contributed ₹514.96 (31 March 2020: ₹463.83) to provident fund and ₹22.64 (31 March 2020: ₹19.72) towards employee state insurance fund

## 25. Finance costs

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Interest expense | 1,296.20 | 1,890.85 |
| Other borrowing costs | 607.80 | 542.03 |
| | **1,904.00** | **2,432.88** |
| Less: Borrowing costs capitalized * | (114.17) | (275.53) |
| | **1,789.83** | **2,157.35** |

** The Company has capitalised borrowing costs with respect to its qualifying assets. The rate for capitalisation of borrowing cost was approximately 9.47% (31 March 2020: 10.60%)*

# Notes to Financial Statements

for the year ended March 31, 2021

## 26. Manufacturing expenses

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Consumption of stores and spare parts | 4,011.36 | 2,702.72 |
| Power and fuel | 3,920.73 | 3,275.14 |
| Carriage inwards | 164.79 | 130.71 |
| Repairs and maintenance | | |
| - Buildings | 397.45 | 509.90 |
| - Plant and equipment | 1,172.73 | 1,003.22 |
| - Others | 1,101.09 | 1,017.64 |
| Effluent treatment charges and testing charges | 921.66 | 815.23 |
| Consumption of packing material | 338.77 | 305.07 |
| | **12,028.58** | **9,759.63** |

## 27. Other expenses

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Rent | 71.42 | 67.55 |
| Corporate Social Responsibility ('CSR') expenditure (refer note ii below) | 88.02 | 68.72 |
| Rates and taxes | 1,743.44 | 162.85 |
| Travelling and conveyance | 669.35 | 1,020.88 |
| Legal and professional fees (refer note i below) | 935.47 | 1,217.44 |
| Insurance | 413.45 | 262.38 |
| Advertisement and subscription expense | 247.14 | 324.20 |
| Sales promotion expenses including commission* | 1,801.19 | 874.93 |
| Freight and forwarding charges | 1,016.96 | 631.06 |
| Provision for doubtful debts and advances, net | 385.33 | 707.94 |
| Foreign exchange loss, net | 216.73 | 167.36 |
| Loss on sale of assets, net | 27.34 | - |
| Directors commission | 35.00 | 21.00 |
| Sitting fees | 24.90 | 23.20 |
| Miscellaneous expenses | 490.14 | 397.56 |
| | **8,165.88** | **5,947.07** |

** includes an amount of ₹ 955 lacs towards settlement of international taxation litigation under Vivad Se Vishwas Scheme*

**(i) Details of payments to auditors included in legal and professional fees:**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **As auditor:** | | |
| - Audit fee, including tax audit | 30.00 | 30.00 |
| - Certifications | 5.75 | 5.50 |
| - Reimbursement of expenses | 0.66 | 0.55 |
| | **36.41** | **36.05** |

# Notes to Financial Statements

for the year ended March 31, 2021

**(ii) Details of CSR expenditure :**

(₹ in lacs)

| | | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|---|
| (a) | Gross amount required to be spent by the Company during the year | 70.92 | 55.87 |
| (b) | Amount spent during the year (in cash) on: | | |
| | (i) Construction/acquisition of any asset | - | - |
| | (ii) On purposes other than (i) above* | 88.02 | 68.72 |
| **Amount remaining to be spent/(spent in excess)** | | **(17.10)** | **(12.85)** |

** includes ₹ 10 paid to Neuland Foundation towards corpus*

## 28. Income tax

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Income tax expense recognised in the statement of profit and loss consists of the following:** | | |
| Current income tax | 1,255.73 | 9.63 |
| Deferred tax expense / (benefit) | 1,214.55 | 3,661.57 |
| **Total tax expense for the year** | **2,470.28** | **3,671.20** |

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (31 March 2020: 25.17%) and the reported tax expense in the statement of profit and loss is as follows:

**Reconciliation of tax expense and the accounting profit multiplied by India's tax rate**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Profit before tax | 10,533.35 | 5,292.25 |
| Tax rate applicable to the Company | 25.17% | 25.17% |
| Estimated tax expense on profit^ | 2,626.58 | 1,331.95 |
| **Tax effect of amounts which are not deductible (taxable) in calculating taxable income:** | | |
| Earlier year impact | (191.81) | - |
| One time charge off on transition to new regime* | - | 2,324.66 |
| Impact of foreign taxes | (5.79) | (1.11) |
| Expenses disallowed | 29.03 | 19.09 |
| Others | 12.27 | (3.39) |
| **Income tax expense** | **2,470.28** | **3,671.20** |

** The Government of India, on 20 September 2019, vide the Taxation laws (Amendment) Ordinance 2019, inserted a new Section 115BAA in the Income tax Act, 1961, which provides an option to the Company for paying income Tax at reduced rates as per the provisions/conditions defined in the said section. The Company has completed its evaluation and has opted to pay tax at the reduced rate resulting in one time tax charge of ₹ 2,324.66*

*^ Estimated tax expenses for FY 21 includes tax on Capital Gains at rates different than the tax rate of 25.17%*

# Notes to Financial Statements

for the year ended March 31, 2021

## 29. Earnings per share (EPS)

(₹ in lacs)

| | | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|---|
| (a) | Profit attributable to equity shareholders | 8,063.07 | 1,621.05 |
| (b) | Computation of weighted average number of equity shares: | | |
| | Weighted average number of equity shares outstanding during the year* | 1,28,29,889 | 1,28,29,889 |
| (c) | Earnings per equity share (in absolute ₹) : | | |
| | Basic | 62.85 | 12.63 |
| | Diluted | 62.85 | 12.63 |

## 30. Fair value measurements

### (i) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data either directly or indirectly

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### (ii) Financial assets and financial liabilities measured at fair value

(₹ in lacs)

| | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| Financial assets / (liabilities) | | | | |
| Investments | 19.28 | 670.29 | 11.11 | 774.72 |
| Derivatives - Forward contracts | - | - | - | 80.33 |

### (iii) Financial instruments by category

For amortised cost instruments, carrying value represents the best estimate of fair value.

(₹ in lacs)

| | 31 March 2021 | | | March 2020 | | |
|---|---|---|---|---|---|---|
| | FVTPL | FVTOCI | Amortised cost | FVTPL | FVTOCI | Amortised cost |
| **Financial assets** | | | | | | |
| Investments | 24.72 | 664.85 | - | 24.72 | 761.11 | - |
| Trade receivables | - | - | 21,773.31 | - | - | 18,988.99 |
| Cash and cash equivalents | - | - | 243.56 | - | - | 1,120.35 |
| Other bank balances | - | - | 1,696.37 | - | - | 3,577.71 |
| Other financial assets | - | - | 893.35 | - | - | 1,269.66 |
| **Total financial assets** | **24.72** | **664.85** | **24,606.59** | **24.72** | **761.11** | **24,956.71** |

# Notes to Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

| | March 2021 | | March 2020 | |
|---|---|---|---|---|
| | FVTPL | Amortised cost | FVTPL | Amortised cost |
| **Financial liabilities** | | | | |
| Borrowings | - | 17,017.53 | - | 25,959.06 |
| Lease liability | - | 1,211.79 | - | 414.42 |
| Trade payables | - | 15,213.45 | - | 11,556.30 |
| Other financial liabilities | - | 6,467.99 | - | 3,196.69 |
| **Total financial liabilities** | **-** | **39,910.76** | **-** | **41,126.47** |

The Company's principal financial liabilities, comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, cash and cash equivalents and other bank balances that derive directly from its operations. The Company also holds FVOCI investments.

(iv) The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature. Difference between carrying amounts and fair values of bank deposits, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented. For all other amortised cost instruments, carrying value represents the best estimate of fair value.

For financial assets measured at fair values, the carrying amounts are equal to the fair values.

## 31. Financial instruments risk management

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The Company's risk management policies are established to identify and analyse the risks faced by the Company and seek to, where appropriate, minimize potential impact of the risk and to control and monitor such risks. There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for management of these risks:

### A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, trade receivables and other financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2021 and 31 March 2020. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

#### i. Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has loan facilities on floating interest rate, which exposes the Company to risk of changes in interest rates. The management monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary. The Company's investment in deposits with banks are for short durations and therefore do not expose the Company to significant interest rate risk. Below are the details of exposure to fixed rate and variable rate instruments:

(₹ in lacs)

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 1,683.25 | 3,895.47 |
| Financial liabilities | 3,096.41 | 3,237.49 |
| **Variable rate instruments** | | |
| Financial liabilities | 13,921.12 | 22,721.57 |

# Notes to Financial Statements

for the year ended March 31, 2021

Every 0.5% increase/decrease in the interest rate component applicable to the respective borrowings would effect the Company's net profit before tax resulting in an expense/income of ₹69.61 and ₹114.17 for the year ended 31 March 2021 and 31 March 2020 respectively.

ii. **Foreign currency risk:**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of change in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in foreign currency) and financing activities (when borrowings are denominated in foreign currency), The foreign currencies in which these transactions are denominated are US Dollars, Euros, Japanese Yen, Great British Pound and Swiss Franc. The Company uses foreign exchange forward contracts to hedge its exposure in foreign currency risk.

a) Significant unhedged foreign currency risk exposure relating to financial assets and financial liabilities expressed in ₹ terms are as follows:

**Financial assets**

(₹ in lacs)

| Trade receivables | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 14,617.64 | 12,821.36 |
| - EUR | 1,219.04 | 2,035.00 |

| Cash & cash equivalents | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 95.11 | 777.32 |

**Financial liabilities**

**(₹ in lacs)**

| Trade payables | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 2,704.88 | 2,460.09 |
| - EUR | 37.17 | 30.69 |
| - CHF | - | 12.49 |
| - JPY | 7.58 | 74.16 |

| Borrowings | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 4,393.35 | 7,294.13 |
| - EUR | - | 1,324.25 |

b) Derivative financial instruments

The following table gives details in respect of outstanding derivate contracts. The counterparty for these contracts are banks.

(₹ in lacs)

| | Buy | 31 March 2021 | 31 March 2020 |
|---|---|---|---|
| Derivatives not designated as hedges | | | |
| Forward contract | USD (in lakhs) | - | US $45.11 |
| Interest rate swaps | USD (in lakhs) | - | - |

# Notes to Financial Statements

for the year ended March 31, 2021

c) Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD and Euro exchange rates, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material.

(₹ in lacs)

| Particulars | Impact on profit after tax for the year ended | |
|---|---|---|
| | 31 March 2021 | 31 March 2020 |
| USD sensitivity | | |
| ₹/USD - Increase by 5% | 380.73 | 192.22 |
| ₹/USD - Decrease by 5% | (380.73) | (192.22) |
| EUR sensitivity | | |
| ₹/EUR - Increase by 5% | 59.09 | 34.00 |
| ₹/EUR - Decrease by 5% | (59.09) | (34.00) |

**iii. Equity price risk:**

"The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI/FVTPL. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and total comprehensive income by ₹68.96 (31 March 2020: ₹78.58)..

**B. Credit risk**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at 31 March 2021 and 31 March 2020.

Ageing of trade receivables is as follows:

(₹ in lacs)

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Neither past due nor impaired | 15,756.52 | 14,107.91 |
| Past due not impaired: | | |
| 0-180 days | 5,592.59 | 4,456.30 |
| Greater than 180 days | 424.20 | 424.78 |
| | **21,773.31** | **18,988.99** |

**C. Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

(₹ in lacs)

| March 2021 | Up to 1 year | From 1 to 3 years | More than 3 years | Total |
|---|---|---|---|---|
| Borrowings | 8,204.27 | 4,938.37 | 3,874.89 | 17,017.53 |
| Lease liability | 358.38 | 708.84 | 410.65 | 1,477.87 |
| Trade and other payables | 15,213.45 | - | - | 15,213.45 |
| Other financial liabilities | 6,467.99 | - | - | 6,467.99 |
| **Total** | **30,244.09** | **5,647.21** | **4,285.54** | **40,176.84** |

# Notes to Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

| March 2020 | Up to 1 year | From 1 to 3 years | More than 3 years | Total |
|---|---|---|---|---|
| Borrowings | 18,221.80 | 3,535.62 | 4,201.64 | 25,959.06 |
| Lease liability | 188.97 | 189.92 | 108.22 | 487.11 |
| Trade and other payables | 11,556.30 | - | - | 11,556.30 |
| Other financial liabilities | 3,196.69 | - | - | 3,196.69 |
| **Total** | **33,163.76** | **3,725.54** | **4,309.86** | **41,199.16** |

## 32. Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Hence, the Company may adjust any dividend payments, return capital to shareholders or issue new shares or sell assets to reduce debt. Total capital is the equity as shown in the statement of financial position.Currently, the Company primarily monitors its capital structure on the basis of the following gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Company.

The capital for the reporting year under review is summarized as follows:

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Total borrowings | 17,017.53 | 25,959.06 |
| Less: Cash and cash equivalents | (243.56) | (1,120.35) |
| Net debt | 16,773.97 | 24,838.71 |
| Total equity | 78,645.77 | 70,995.77 |
| Net debt to equity ratio | 21.33% | 34.99% |

## 33. Research and development expenses

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditures are given below:

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Revenue Expenditure | | |
| Salaries and wages | 1,351.85 | 1,165.32 |
| Consumption of raw materials and consumables | 522.90 | 307.29 |
| Power and fuel | 231.83 | 268.54 |
| | **2,106.58** | **1,741.15** |
| Capital Expenditure | **178.11** | **347.18** |

** Disclosed for the years where Form 3CL is yet to be received from Department of Scientific and Industrial Research (DSIR)*

## 34. Investment properties

Investment properties comprise of carrying value of land and capital work-in-progress, representing the cost incurred towards development and construction activity at the said land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited ("TSIIC") (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited).

The Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a Developer for development of IT Park at the Company's land. Subsequently the Company has entered into Supplementary Development Agreement ("SDA") and Addendums to the SDA (collectively referred as 'Arrangement') with the Developer and its nominees. Further, in accordance with the terms of the Arrangement, the Company is entitled to a fixed leasable / saleable area of a minimum 3.38 lakhs sq .ft, out of which the Company has transferred 1.20 lakhs sq. ft from it's own share at ₹0.02 per sq. ft to the

# Notes to Financial Statements

for the year ended March 31, 2021

Developer nominees on completion of the construction work as at 31 March 2021. The Company has further agreed to revise its net share in the Project to 1.74 lakh sq.ft. (excluding 1.20 lakh sq.ft. already transferred) to compensate the Developer for certain costs and adjustments in the Company's share in the Project, with the approval of the Board of Directors of the Company. The construction of the Company's share in the Project is completed and the Developer shall handover possession of the Company's share, upon receipt of regulatory approvals. The management, on the basis of its assessment of the end use of its share in the proposed project has classified the entire value as an investment property as at 31 March 2021.

The fair value of the investment property is estimated at ₹11,424.84 based on valuation report

## 35. Goodwill

Pursuant to the Scheme of Amalgamation and Arrangement ("the Scheme") duly approved by the National Company Law Tribunal, Hyderabad Bench vide their order dated 21 March 2018, Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") (together referred to as "Transferor Companies"), were merged with the Company with appointed date of 1 April 2016. NHSPL is engaged in the business of conducting research and development of Peptides and NPRPL is in the business of contract research services.

The purchase consideration of ₹31,084.99 paid by way of issue of 2,270,635 equity shares of ₹10 each [in accordance with the Scheme, 4,590,608 equity shares of ₹10 each held by NHSPL in the Company stands cancelled and the Company shall issue 6,861,095 and 148 fully paid-up equity shares of ₹10 each to the shareholders of NHSPL and NPRPL respectively] at a premium of ₹1,359 per equity share.

Excess of consideration paid over net assets taken over aggregating to ₹27,946.10 is recognized as Goodwill.

**Below is the reconciliation of the carrying amount of goodwill:**

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Opening balance | 27,946.10 | 27,946.10 |
| Add: Due to acquisition during the year | - | - |
| Less: Impairment/write off | - | - |
| **Closing Balance** | **27,946.10** | **27,946.10** |

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.37% for the year ended 31 March 2021. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash- generating unit.

# Notes to Financial Statements

for the year ended March 31, 2021

## 36. Segment reporting

The management has assessed the identification of reportable segments in accordance with the requirements of Ind AS 108 'Operating Segment' and believes that the Group has only one reportable segment namely "manufacture of active pharmaceutical ingredients and allied services".

Geography-wise details of the Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) and revenue from major customers are given below:

**(i) Analysis of Group's revenues (excluding other operating revenue) based on the location of the customers:**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| India | 21,814.14 | 22,783.82 |
| Europe | 33,018.26 | 24,004.74 |
| USA | 19,412.34 | 11,452.89 |
| Rest of the world | 17,572.93 | 15,203.70 |
| | **91,817.67** | **73,445.15** |

**(ii) Analysis of Group's non-current assets based on the location of the assets:**

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| India | 76,894.45 | 70,625.51 |
| USA | - | - |
| Rest of the world | (2.45) | 4.93 |
| | **76,892.00** | **70,630.44** |

**(iii) Major customer**

The Group has one customer group who contributed more than 10% of the Group's revenue (excluding other operating revenue) during the current and previous year. The revenue from such major customer group during the year is ₹12,615.65 (31 March 2020: ₹8745.50).

## 37. Related party disclosures

**(a) Names of the related parties and nature of relationship**

| Particulars |
|---|
| **Enterprise over which key management personel exercise significant influence** |
| Neuland Foundation |
| **Key Management Personnel** |
| Dr. D. R. Rao - Executice Chairman |
| Mr.D. Sucheth Rao - Vice Chairman and CEO |
| Mr.D. Saharsh Rao - Vice Chairman and MD |
| Dr. Christopher M. Cimarusti - Non-Executive Non-Independent Director |

*Table continued to next page*

# Notes to Financial Statements

for the year ended March 31, 2021

| Particulars |
|---|
| Mr. Humayun Dhanrajgir - Non-Executive Independent Director |
| Mr. Parampally Vasudeva Maiya - Non-Executive Independent Director |
| Dr. William Gordon Mitchell - Non-Executive Independent Director |
| Mrs. Bharati Rao - Non-Executive Independent Director |
| Dr. Nirmala Murthy - Non-Executive Independent Director |
| Mr.Homi Rustam Khusrokhan - Non-Executive Independent Director |
| Mr.Deepak Gupta - Chief Financial Officer (with effect from Sep 24, 2020) |
| **Relatives of Key Management Personnel** |
| Mrs. D. Vijaya Rao |
| Mrs. D. Rohini Niveditha Rao |

**(b) Transactions with related parties**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Enterprise over which key management personel exercise significant influence** | | |
| Neuland Foundation- Contribution towards corpus | - | 10.00 |
| **Transactions with KMP** | | |
| Managerial remuneration | 1,052.68 | 660.00 |
| Rent | 157.95 | - |
| Director's sitting fee | 24.90 | 23.20 |
| Commission | 35.00 | 21.00 |
| Security deposit given | - | 242.80 |
| Professional fee | - | 14.16 |
| **Transactions with relatives of KMP** | | |
| Rent | 75.73 | 71.83 |

**(c) Balances receivable/(payables)**

(₹ in lacs)

| | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **Key Management Personnel** | | | |
| Mr. D. Sucheth Rao | Security deposit | 121.40 | 121.40 |
| Mr.D. Saharsh Rao | Security deposit | 121.40 | 121.40 |
| Dr. D. R. Rao | Remuneration Payable | (220.00) | (107.52) |
| Mr. D. Sucheth Rao | Remuneration Payable | (200.00) | (87.51) |
| Mr.D. Saharsh Rao | Remuneration Payable | (180.00) | (67.51) |
| Non Executive Directors | Sitting Fee/Commission/Profesional Fee | (10.10) | (36.55) |
| **Relative of Key Management Personnel** | | | |
| Mrs. D Vijaya Rao | Security deposit (net of rent payable) | 12.17 | 12.66 |

*Note:*

*Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees and Dr. D. R. Rao in addition has pledged certain shares of his holding in the Company in connection with the working capital limits availed by the Company. (Refer note: 14)*

# Notes to Financial Statements

for the year ended March 31, 2021

## 38. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹2,284.55 (31 March 2020: ₹934.72).

## 39. Contingent liabilities and pending litigations

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Disputed income tax liabilities** | | |
| Assessment year 2004-05 - refer note (a) below | 693.33 | 693.33 |
| Assessment year 1998-99, 2001-02, 2002-03 & 2013-14 to 2018-19, the cases for these years is proposed to be settled under Vivad Se Viswas scheme and requisite liability has been provided for during the year | - | 1,471.75 |
| Other income tax matters | 19.01 | 19.01 |
| **Other matters** | | |
| NGT Order - liability for all the years starting from FY 16-17 has been provided for during the year based on the current developments | - | 571.11 |
| APTRANSCO demand of wheeling charges to APGPCL- the amounts has been provided for based on demand order received during the year | - | 223.03 |
| Public litigation against land parcel allotment by APIICL- refer note (b) below | 1,890.64 | 2,981.39 |
| CIGSR Order for land parcel at bonthapally- refer note (c) below | 0.64 | 0.64 |
| Certain disputes, for unascertained amounts are pending in the Labor Courts, Telangana Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect. | Not ascertainable | Not ascertainable |
| **Other Claims and Gurantees** | | |
| Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company | 7,863.71 | 6,573.24 |

*Note:*

*(a) The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year 2004-05 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the Income Tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favor of the Company. The Income Tax department has however filed an appeal with the Hon'ble High Court of Telangana in this regard, which is pending final outcome. However, on the basis of its internal assessment and considering the order of the first level appellate authority, the Company is confident of securing a favorable order from the High Court and accordingly, no adjustments have been made to the financial statements in this regard.*

***Other pending litigations / contingent liabilities:***

*(b) During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹1,890.64.*

*(c) During the financial year ended 31 March 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide it's order dated 22 February 2008 has cancelled the registration of the land parcel owned by the company situated at Bontapally pursuant to claims of forgery raised by the former sellers of the said land. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated 31 December 2012 has granted stay on the cancellation order of CIGSR. Proceedings of the case are still pending with the court. The management is confident that orders will be in the favour of the Company, hence no adjustment is deemed necessary to these standalone financial statements.*

# Notes to Financial Statements

for the year ended March 31, 2021

## 40. Net debt reconciliation

(₹ in lacs)

| | Current borrowings | Non-current borrowings | Interest accrued |
|---|---|---|---|
| **Net debt as on 1 April 2019** | **14,905.83** | **8,240.26** | **29.01** |
| Cash flows (net) | 1,635.35 | 901.54 | - |
| For-ex adjustment | 276.08 | - | - |
| Interest expenses, including interest capitalized | - | - | 2,432.67 |
| Interest paid | - | - | (2,436.46) |
| **Net debt as on 31 March 2020** | **16,817.26** | **9,141.80** | **25.22** |
| Cash flows (net) | (11,143.58) | 2,177.29 | - |
| For-ex adjustment | 24.76 | - | - |
| Interest expenses, including interest capitalized | - | - | 1,904.00 |
| Interest paid | - | - | (1,889.62) |
| **Net debt as on 31 March 2021** | **5,698.44** | **11,319.09** | **39.60** |

## 41. Expenditure during construction period (pending allocation)

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Opening Balance | 370.40 | 307.20 |
| **Add:** | | |
| Cost of materials consumed, net of trail run inventory recognized | - | 2.42 |
| Employee benefits expense | - | 200.37 |
| Power and fuel | - | 59.58 |
| Factory maintenance | - | 97.62 |
| Legal and professional chargers | - | - |
| Others | - | 10.20 |
| **Less:** | | |
| Capitalized during the year | 370.40 | 306.99 |
| | **-** | **370.40** |

# Notes to Financial Statements

for the year ended March 31, 2021

## 42. Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act

| | Net assets * | | | | Share in profit / (loss) | | | | Share in other comprehensive income ("OCI") | | | | Share in total comprehensive income | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount | As % of consolidated net assets | Amount | As % of consolidated profit / (loss) | Amount | As % of consolidated profit / (loss) | Amount | As % of consolidated OCI | Amount | As % of consolidated OCI | Amount | As % of consolidated total comprehensive income | Amount | As % of consolidated total comprehensive income | Amount |
| | 31 March 2021 | | 31 March 2020 | | 31 March 2021 | | 31 March 2020 | | 31 March 2021 | | 31 March 2020 | | 31 March 2021 | | 31 March 2020 | |
| Parent | 99.42% | 78,188.14 | 99.38% | 70,554.52 | 99.58% | 8,029.49 | 97.96% | 1,588.01 | 88.99% | (139.25) | 181.41% | (78.74) | 99.79% | 7,890.24 | 95.67% | 1,509.27 |
| Subsidiary incorporated outside India | | | | | | | | | | | | | | | | |
| Neuland Laboratories Inc | 0.45% | 357.68 | 0.48% | 340.80 | 0.35% | 28.05 | 1.65% | 26.79 | 0.00% | - | 0.00% | - | 0.35% | 28.05 | 1.70% | 26.79 |
| Neuland Laboratories KK | 0.15% | 115.77 | 0.16% | 116.27 | 0.07% | 5.53 | 0.39% | 6.25 | 0.00% | - | 0.00% | - | 0.07% | 5.53 | 0.40% | 6.25 |
| **Total** | **100.02%** | **78,661.59** | **100.02%** | **71,011.59** | **100.00%** | **8,063.07** | **100%** | **1,621.05** | **88.99%** | **(139.25)** | **181.41%** | **(78.74)** | **100.22%** | **7,923.82** | **97.76%** | **1,542.31** |
| Consolidation adjustments | -0.02% | (15.82) | -0.02% | (15.82) | 0.00% | - | 0.00% | - | 11.01% | (17.22) | -81.41% | 35.34 | -0.22% | (17.22) | 2.24% | 35.34 |
| **Net amount** | **100%** | **78,645.77** | **100%** | **70,995.77** | **100.00%** | **8,063.07** | **100.00%** | **1621.05** | **100.00%** | **(156.47)** | **100.00%** | **(43.40)** | **100.00%** | **7,906.60** | **100.00%** | **1,577.65** |

** Net assets means total assets minus total liabilities excluding shareholders funds.*

*Note:*

*The disclosure as above represents separate information for each of the consolidated entities before elimination of inter-company transactions. The net impact on elimination of inter-company transactions / profits / consolidation adjustments have been disclosed separately. Based on the group structure, the manangement is of the view that the above disclosure is appropriate under the requirements of the Act.*

# Notes to Financial Statements

for the year ended March 31, 2021

## 43. Leases

The Group has entered into operating leases of office premises and residential bunglow, with no restrictions and are renewable at the option of either of the parties, for a period of 3 years to 5 years. The escalation rates is 5% per annum as per the terms of the lease agreement. There are no sub leases. The Group applies the short term lease and lease of low value assets recognition exemption for few leases.

(₹ in lacs)

| Particulars | | 31 March 2021 | 31 March 2020 |
|---|---|---|---|
| **(i)** | **The movement in right-of-use assets is as follows :** | | |
| | **Opening balance** | **384.39** | **-** |
| | Reclassified on account of adoption of Ind AS 116 | - | 237.50 |
| | Addition during the year | 1,150.97 | 312.51 |
| | Deletions during the year | - | - |
| | Depreciation charge for the year | (310.99) | (165.61) |
| | **Closing balance** | **1,224.37** | **384.39** |
| **(ii)** | **The break-up of current and non-current lease liabilities is as follows** | | |
| | Non-current lease liabilities | 958.60 | 257.79 |
| | Current lease liabilities | 253.19 | 156.63 |
| **(iii)** | **The movement in lease liabilities is as follows :** | | |
| | **Opening balance** | **414.42** | **-** |
| | Reclassified on account of adoption of Ind AS 116 | - | 255.21 |
| | Addition during the year | 1,050.90 | 312.55 |
| | Accretion of interest | 98.02 | 39.63 |
| | Deletions during the year | - | - |
| | Payment of principal portion of lease liabilities | (253.53) | (153.34) |
| | Payment of interest portion of lease liabilities | (98.02) | (39.63) |
| | **Closing balance** | **1,211.79** | **414.42** |
| **(iv)** | **The contractual maturities of lease liabilities on an undiscounted basis are as follows:** | | |
| | Less than one year | 358.38 | 188.97 |
| | One to five years | 1,119.49 | 298.14 |
| | More than five years | - | - |

*Note:*

1. *The aggregate depreciation expense on right-of-use assets of ₹ 310.99 is included under depreciation and amortization expense in the Statement of Profit and Loss.*
2. *Rental expense recorded for short-term and low value leases was ₹ 18.21 for the year ended March 31, 2021.*
3. *The Group does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.*

**44** The Code on Social Security 2020 ('the Code') relating to employee benefits, during the employment and post-employment, has received Presidential assent on September 28, 2020. The Code has been published in the Gazette of India. Further, the Ministry of Labour and Employment has released draft rules for the Code on November 13, 2020. However, the effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are also not yet issued.

The holding Company will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

# Notes to Financial Statements

for the year ended March 31, 2021

**45.** The World Health Organization announced a global health emergency because of a new strain of coronavirus ("COVID-19") and classified its outbreak as a pandemic on March 11, 2020. On March 24, 2020, the Indian government announced a strict 21-day lockdown across the country to contain the spread of the virus. This pandemic and response thereon have impacted most of the industries. Consequent to the nationwide lock down on March 24, 2020, the Group's operations were scaled down in compliance with applicable regulatory orders. Subsequenlty, during the year, the Group's operations have been scaled up in a phased manner taking into account directives from various Government authorities. The impact on future operations would, to a large extent, depend on how the pandemic further develops and it's resultant impact on the operations of the Group. The Group continues to monitor the situation and take appropriate action, as considered necessary in due compliance with the applicable regulations. The management has made an assessment of the impact of COVID-19 on the Group's operations, financial performance and position as at and for the year ended March 31, 2021and has concluded that no there is no impact which is required to be recognised in the financial statements. Accordingly, no adjustments have been made to the financial statements.

**46.** The consolidated financial statements are approved for issue by the Company's Board of Directors on 11 May 2021.

This is the Summary of Significant Accounting Policies and Other Explanatory Information referred to in our report of even date.

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

| | | | | | |
|---|---|---|---|---|---|
| **Amit Kumar Agarwal**<br>Partner<br>Membership No: 214198 | **Dr. D. R. Rao**<br>Executive Chairman<br>DIN 00107737 | **D. Sucheth Rao**<br>Vice Chairman and CEO<br>DIN 00108880 | **D. Saharsh Rao**<br>Vice Chairman<br>Managing Director<br>DIN 02753145 | **Deepak Gupta**<br>Chief Financial Officer | **Sarada Bhamidipati**<br>Company Secretary |

Place: Hyderabad
Date: 11 May 2021

Place: Hyderabad
Date: 11 May 2021

# Form AOC-I

*(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 statement of subsidiaries / joint ventures**

**Part "A": Subsidiaries**

(₹ in lacs)

| Name of Subsidiary | Neuland Laboratories K.K. | Neuland Laboratories Inc. |
|---|---|---|
| **Country** | **Japan** | **U.S.A** |
| **Reporting Currency** | **¥** | **US$** |
| Exchange Rate | 0.6611 | 73.11 |
| Share Capital | 15.37 | 0.45 |
| Reserves & Surplus | 100.40 | 357.23 |
| Total Assets | 179.29 | 439.22 |
| Total Liabilities | 179.29 | 439.22 |
| Investments Made | - | - |
| Turnover | 220.68 | 559.20 |
| Profit / (Loss) before Taxation | 10.52 | 26.62 |
| Provision for Taxation | 4.99 | (1.43) |
| Profit / (Loss) after Taxation | 5.53 | 28.05 |
| Proposed Dividend | - | - |
| % of shareholding | 100% | 100% |

**Notes:**

- *There is no subsidiary which is yet to commence operations.*

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

**Dr. D.R. Rao**
Executive Chairman
DIN- 00107737

**D. Sucheth Rao**
Vice Chairman
& CEO
DIN- 00108880

**D. Saharsh Rao**
Vice Chairman &
Managing Director
DIN- 02753145

**Deepak Gupta**
Chief Financial
Officer

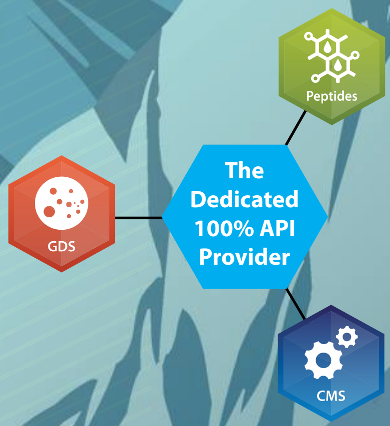
**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
**Date: 11 May, 2021**

NEULAND

WHERE OPPORTUNITY BECOMES REALITY

# ANNUAL REPORT 2020-21




**Neuland Laboratories Limited**

11th Floor (5th Office Level), Phoenix IVY Building, Plot No. 573A-III,
Road No. 82, Jubilee Hills, Hyderabad- 500033

**www.neulandlabs.com**

NEULAND
WHERE OPPORTUNITY BECOMES REALITY

**NEULAND LABORATORIES LIMITED**
**(CIN: L85195TG1984PLC004393)**

**Registered Office***: 11th Floor (5th Office Level), Phoenix IVY Building, Plot No.573A-III, Road No. 82, Jubilee Hills, Hyderabad- 500033
E-mail: ir@neulandlabs.com, website: www.neulandlabs.com, Tel: +91-40-6761 1600

# NOTICE

**NOTICE** is hereby given that the Thirty Seventh Annual General Meeting of the Members of Neuland Laboratories Limited will be held **on Wednesday, July 7, 2021 at 10:30 a.m. (IST) through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")** to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt:

   (a) the Audited Financial Statements of the Company for the financial year ended March 31, 2021, together with the reports of the Board of Directors and the Auditors' thereon; and

   (b) the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2021, together with the report of the Auditors thereon.

2. To declare final dividend of ₹ 3/- (30%) per equity share on a face value of ₹ 10 each, for the financial year 2020-21 as recommended by the Board and to confirm the payment of Interim Dividend of ₹ 2/- (20%) per equity share already paid in the month of November 2020, during the financial year 2020-21.

3. To appoint a Director in place of Dr. Christopher M. Cimarusti (DIN: 02872948) who retires by rotation and, being eligible, offers himself for re-appointment.

   *To consider and, if thought fit, to pass the following resolution as **Special Resolution***:

   **"RESOLVED THAT** Dr. Christopher M. Cimarusti (DIN: 02872948), be and is hereby reappointed as a director of the company, whose period of office shall be liable to determination by retirement of Directors by rotation."

## SPECIAL BUSINESS

4. **Payment of Commission to Non-Executive Directors**

   *To consider and, if thought fit, pass with or without modification(s), the following resolution as an **Ordinary Resolution:***

   **"RESOLVED THAT** pursuant to the provisions of Sections 197 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules made thereunder, (including any statutory modification(s) or re-enactment thereof), and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, consent of the Company be and is hereby accorded for payment of a sum not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Section 198 of the Act, in addition to the sitting fees for attending the meeting(s) of the Board of Directors of the Company or any Committee thereof be paid to the Non-Executive Directors of the Company in such amounts or proportions and in such manner as may be decided by the Nomination and Remuneration Committee / Board of Directors and such payments shall be made in respect of the profits of the Company for each year, for a period of five years, commencing from the financial year 2021-22."

5. **Payment of Professional fees to Dr.Christopher M. Cimarusti, Non-Executive Director**

   *To consider and if thought fit, to pass with or without modification the following Resolution as a **Special Resolution:***

   **"RESOLVED THAT** pursuant to Section 188 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013 (including statutory modification(s) or re-enactment thereof for the time being

***With effect from June 11, 2021 the Registered Office has been shifted to 11th Floor (5th Office Level), Phoenix IVY Building, Plot No.573A-III, Road No. 82, Jubilee Hills, Hyderabad- 500033** from Sanali Info Park, 'A' Block, Ground Floor 8-2-120/113, Road No. 2, Banjara Hills, Hyderabad – 500034* in force) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as applicable, the Company hereby accords its consent to Dr. Christopher M. Cimarusti, Director of the Company, to hold office or place of profit for a period of five years with effect from May 20, 2021 upon the terms and conditions set out in the letter of agreement, subject to the remuneration mentioned below:

a. Fee of USD 2,500 per day (excluding taxes) for each day spent at Neuland's facilities (excluding days of Board Meetings). Any time spent, virtually or in person, with Neuland's team or in meeting Neuland's customers to understand customer service issues would also be included as consulting time at the above rate.

b. All the travel (Business class), boarding and stay in India would be organized and paid for by the Company. Any other incidental expenses incurred would be reimbursed based on actual expenses.

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds, matters and things as it considers necessary or expedient for the purpose of giving effect to this Resolution."

6. **Ratification of remuneration of Cost Auditors**

*To consider and, if thought fit, to pass the following resolution as an* ***Ordinary Resolution***

**"RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, and subject to approval as may be required from the Central Government, the members be and hereby ratify the remuneration of ₹ 2,50,000 (Rupees two lakh and fifty thousand only) and taxes as applicable plus out-of-pocket expenses payable to M/s. Nageswara Rao & Co., Cost Accountants, (Registration No. 000332), Hyderabad, Cost Auditors appointed by the Board of Directors of the Company to audit the cost records maintained by the Company for the financial year ending March 31, 2022.

**RESOLVED FURTHER THA**T the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be necessary to give effect to this Resolution."

By Order of the Board
For **Neuland Laboratories Limited**

Sd/-
**Dr. Davuluri Rama Mohan Rao**
Executive Chairman
(DIN: 00107737)

Hyderabad
May 11, 2021

## NOTES:

1. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular nos. 14/2020 and 17/2020 dated April 8, 2020, April 13, 2020, circular no. 20/2020 dated May 5, 2020 and 02/2021 dated January 13, 2021 (collectively referred to as "MCA Circulars") permitted the holding of the Annual General Meeting through VC / OAVM, without the physical presence of the Members at a common venue. Further, Securities and Exchange Board of India vide its circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 and circular no. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 (collectively referred to as "SEBI Circulars") also permitted the holding of the Annual General Meeting through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the MCA Circulars and SEBI Circulars, the Annual General Meeting of the members of the Company is being held through VC / OAVM. The registered office of the Company shall be deemed to be the venue for the Annual General Meeting.

2. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations 2015 ("SEBI Listing Regulations") (as amended), and the MCA Circulars, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the Thirty Seventh Annual General Meeting ("the AGM"). For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-voting system as well as voting during the AGM will be provided by NSDL.

3. The final dividend as recommended by the Board of Directors, if declared, at the AGM, will be paid on or before August 3, 2021, to those members whose names shall appear on the Company's Register of Members on July 7, 2021. In respect of the shares held in dematerialized form, the dividend will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.

4. The relevant details, pursuant to Regulations 26(4) and 36(3) of the SEBI Listing Regulations and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India, in respect of Director seeking reappointment at this AGM is annexed.

5. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, July 1, 2021 to Wednesday, July 7, 2021 (both days inclusive) for the purpose of giving effect to the transmission and transposition requests lodged with the Company.

6. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

7. As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from, April 1, 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or Company's Registrars and Transfer Agents, KFin Technologies Private Limited ("KFin") for assistance in this regard.

8. To promote green initiative, Members who have not registered their email addresses are requested to register the same with their Depository Participants in case the shares are held by them in electronic form and with KFin, in case the shares are held in physical form.

9. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held by them in electronic form and to KFin in case the shares are held by them in physical form.

10. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH13. The said form can be downloaded from the Company's website www.neulandlabs.com. Members are requested to submit the said details to their Depository Participant in case the shares are held by them in electronic form and to KFin in case the shares are held in physical form.

11. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to the Company or KFin, the details of such folios together with the share certificates for consolidating their holdings in one

folio. A consolidated share certificate will be issued to such Members after making requisite changes.

12. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.

13. Members seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before July 1, 2021 through email on AGM2021@neulandlabs.com. The same will be replied by the Company suitably.

15. Members are requested to note that, dividends if not encashed for a consecutive period of 7 years from the date of transfer to Unpaid Dividend Account of the Company, are liable to be transferred to the Investor Education and Protection Fund ("IEPF"). The shares in respect of such unclaimed dividends are also liable to be transferred to the demat account of the IEPF Authority. In view of this, Members are requested to claim their dividends from the Company, within the stipulated timeline. The Members, whose unclaimed dividends/ shares have been transferred to IEPF, may claim the same by making an online application to the IEPF Authority in web Form No. IEPF-5 available on www.iepf.gov.in.

16. In compliance with the aforesaid MCA Circulars and SEBI Circulars, Notice of the AGM along with the Annual Report 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2020-21 will also be available on the Company's website www.neulandlabs.com, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and NSDL at www.evoting.nsdl.com. Members whose email IDs are not registered with the Company/Depositories are requested to follow the process provided further for registration of email IDs with the depositories for procuring user ID & password and registration of email IDs for e-voting for the resolutions set out in this notice.

17. At the Thirty-Fifth Annual General Meeting held on July 5, 2019 the Members approved appointment of M/s. MSKA & Associates, Chartered Accountants (Firm Registration No. 105047W) as Statutory Auditors of the Company to hold office for a period of five years from the conclusion of that Annual General Meeting till the conclusion of the Fortieth Annual General Meeting. The requirement to place the matter relating to appointment of auditors for ratification by Members at every AGM has been done away by the Companies (Amendment) Act, 2017 with effect from May 7, 2018. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the AGM.

18. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.

19. Instructions for e-voting and joining the AGM are as follows:

## THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING AND JOINING GENERAL MEETING ARE AS UNDER:-

**The remote e-voting period begins on Sunday, July 4, 2021 (9:00 a.m. IST) and ends on Tuesday, July 6, 2021 (5:00 p.m. IST). The remote e-voting module shall be disabled by NSDL for voting thereafter.**

During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on June 30, 2021 (Cut-off date), may cast their vote electronically.

Any person holding shares in physical form and non-individual shareholders, who acquires shares of the Company and becomes member of the Company after the notice is send through e-mail and holding shares as of the Cut-off date may obtain the login ID and password by sending a request at evoting@nsdl.co.in or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" or "Physical User Reset Password" option available on www.evoting.nsdl.com or call on toll free no. 1800 1020 990 and 1800 22 44 30 . In case of Individual Shareholders holding securities in demat mode who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the Cut-off date may follow steps mentioned in the Notice of the AGM under "Access to NSDL e-Voting system".

**How do I vote electronically using NSDL e-Voting system?**

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

**Step 1: Access to NSDL e-Voting system**

A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with

Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

| Type of shareholders | Login Method |
|---|---|
| Individual Shareholders holding securities in demat mode with NSDL. | 1. If you are already registered for **NSDL IDeAS facility**, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the **"Beneficial Owner"** icon under "Login" which is available under **"IDeAS"** section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on options available against company name or **e-Voting service provider - NSDL** and you will be re-directed to NSDL e-Voting website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.<br>2. If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select **"Register Online for IDeAS"** Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp<br>3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on options available against company name or **e-Voting service provider - NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |
| Individual Shareholders holding securities in demat mode with CDSL | 1. Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi.<br>2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of **e-Voting service provider i.e. NSDL.** Click on **NSDL** to cast your vote.<br>3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration<br>4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. **NSDL** where the e-Voting is in progress. |
| Individual Shareholders (holding securities in demat mode) login through their depository participants | You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on options available against company name or **e-Voting service provider-NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |

**Important note:** Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

**Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.**

| Login type | Helpdesk details |
|---|---|
| Individual Shareholders holding securities in demat mode with NSDL | Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30 |
| Individual Shareholders holding securities in demat mode with CDSL | Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 022-23058542-43 |

B) **Login Method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.**

**How to Log-in to NSDL e-Voting website?**

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

   Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
4. Your User ID details are given below :

| Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical | Your User ID is: |
|---|---|
| a) For Members who hold shares in demat account with NSDL. | 8 Character DP ID followed by 8 Digit Client ID<br>For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******. |
| b) For Members who hold shares in demat account with CDSL. | 16 Digit Beneficiary ID<br>For example if your Beneficiary ID is 12************** then your user ID is 12************** |
| c) For Members holding shares in Physical Form. | EVEN Number followed by Folio Number registered with the company<br>For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001*** |

5. Password details for shareholders other than Individual shareholders are given below:

   a) If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.

   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

   c) How to retrieve your 'initial password'?

      (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

      (ii) If your email ID is not registered, please follow steps mentioned below in process for those shareholders whose email ids are not registered

6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:

   a) Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

   b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address etc.

   d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

**Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.**

How to cast your vote electronically and join General Meeting on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.

2. Select "EVEN" of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join General Meeting".

3. Now you are ready for e-Voting as the Voting page opens.

4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

5. Upon confirmation, the message "Vote cast successfully" will be displayed.

6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for shareholders**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to dhr300@gmail.com with a copy marked to evoting@nsdl.co.in.

2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request to Ms. Sarita Mote at evoting@nsdl.co.in

**Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:**

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to AGM2021@neulandlabs.com

2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to AGM2021@neulandlabs.com. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at step 1 (A) i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.

3. Alternatively shareholder/members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.

4. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

**THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE AGM ARE AS UNDER:-**

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

2. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.

3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

**INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:**

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for **Access to NSDL e-Voting system**. After successful login, you can see link of "VC/OAVM link" placed under **"Join General meeting"** menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

2. Members are encouraged to join the Meeting through Laptops for better experience.

3. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

5. The Members can join the AGM in the VC/OAVM mode 30 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice.

6. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/folio number, PAN, mobile number at AGM2021@neulandlabs.com from July 1, 2021 (9:00 a.m. IST) to July 4, 2021 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

7. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

8. The voting rights of Members shall be in proportion to their shares of the paid-up equity share capital of the Company as on June 30, 2021. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the Cut- off date only shall be entitled to avail the facility of remote e-voting or voting at the AGM.

9. The Company has appointed Mr. D. Hanumanta Raju, or failing him, Ms. Shaik Razia, Partners, D. Hanumanta Raju & Co., Practising Company Secretaries, Hyderabad, as the Scrutinizer to the e-voting process and voting at the AGM in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for same purpose.

10. The scrutinizer shall, immediately after the conclusion of voting at the general meeting, first count the votes cast at the AGM, thereafter unlock the votes through e-voting in the presence of at least two witnesses, not in the employment of the Company and make, not later than two days from the conclusion of the meeting, a consolidated scrutiniser's report of the total votes cast in favour or against, if any, to the Chairman of the Company, who shall countersign the same.

11. The scrutiniser shall submit his report to the Chairman or the Company Secretary, who shall declare the result of the voting. The results declared along with the scrutiniser's report shall be placed on the Company's website: www.neulandlabs.com and shall also be communicated to the stock exchanges. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting, i.e. July 7, 2021.

## Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013

### ITEM NO.3:

The members have at the Annual General Meeting of the Company held on July 5, 2019, approved the appointment of Dr. Christopher M Cimarusti (DIN: 02872948), Non-Executive Director, as a director liable to retire by rotation of the Company. In terms of Regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, effective from April 1, 2019 consent of the Members by way of Special Resolution is required for appointment / continuation of a Non-Executive Director beyond the age of seventy-five years.

Dr. Christopher M. Cimarusti, aged 77 years, is a Non-Executive Director of our Company. He did his Ph.D in Organic Chemistry from Purdue University and Post-doctoral Research from Columbia University. He has over 50 years' experience in the discovery, development and manufacture of pharmaceuticals. He was awarded more than 60 patents and has published more than 40 papers in referred journals. He provides consulting services to the pharmaceutical industry at Project Portfolio and Company strategy levels. Dr.Cimarusti does not hold any equity shares in the Company.

Considering Dr.Cimarusti's profile and rich experience, your Board believes that it would be of great benefit to avail his services in reviewing the Company's R&D activities periodically and develop action plan for R&D team to implement. Accordingly, the Board of Directors, at the meeting held on May 11, 2021, on the recommendation of the Nomination & Remuneration Committee, have approved the appointment of Dr. Cimarusti as Director of the Company, liable to retire by rotation, subject to the approval of the shareholders.

The information pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with respect to directors seeking appointment / re-appointment is annexed to this Notice.

Except for Dr. Christopher M. Cimarusti, none of the Directors and Key Managerial Personnel of the Company and their respective relatives, is, in any way, concerned or interested in the Resolution set out at Item No.3 of this Notice.

The Board recommends the Special Resolution set out at Item No.3 of this Notice for approval by the members.

### ITEM NO.4:

Section 197 of the Companies Act, 2013 permits payment of remuneration to Non-Executive Directors of the Company by way of commission, if the Company authorises such payment by way of a resolution of members.

The members of the Company at the 32nd Annual General Meeting held on August 12, 2016, approved the remuneration payable to Non-Executive Directors of the Company by way of commission not exceeding one per cent of the net profits of the Company for each year for a period of five years commencing from the financial year 2016-17.

It is now proposed to pay commission on profits to the Non-Executive Directors for a further period of five years commencing from the financial year 2021-22.

Considering the rich experience and expertise brought to the Board by the Non-Executive Directors, the Board of Directors of the Company (the Board) have at the meeting held on May 11, 2021, recommended that, remuneration not exceeding 1% of the net profits of the Company calculated in accordance with provisions of the Act, be continued to be paid and distributed amongst the Non-Executive Directors of the Company for a further period of five years commencing from the financial year 2021-22. Such payment will be in addition to the sitting fees for attending Board/Committee meetings.

Details of commission and sitting fees provided for / paid to Non-Executive Directors during the financial year 2020-21 are provided in the Directors Report and the Corporate Governance Report.

Information in respect of the Non-Executive Directors is appearing in the Annual Report for the financial year 2020-21, under the section 'Board of Directors'.

None of the Directors, Key Managerial Personnel or their respective relatives, except all of the Non-Executive Directors of the Company to whom the resolution relates are concerned or interested in the Resolution mentioned at Item No. 4 of this Notice .

The Board recommends this resolution for the approval of the Members.

### ITEM NO. 5:

The members of the Company had, at the 32nd Annual General Meeting held on August 12, 2016, approved payment of professional fee to Dr. Christopher M. Cimarusti and to hold office or place of profit for a period of five years with effect from May 20, 2016.

Dr. Christopher M. Cimarusti is a Non-Executive Director of the Company. He did his Ph.D in Organic Chemistry from Purdue University and Post-doctoral Research from Columbia University. He has over 50 years' experience in the discovery, development and manufacture of pharmaceuticals. He was awarded more than

60 patents and has published more than 40 papers in referred journals. He provides consulting services to the pharmaceutical industry at Project Portfolio and Company strategy levels. Considering Dr. Cimarusti's profile and rich experience, your Board believes that it would be of great benefit to avail his services in reviewing the Company's R&D activities periodically and develop action plan for R&D team to implement.

The Board of Directors of the Company at the meeting held on May 11, 2021, on the recommendation of the Nomination and Remuneration Committee, have provided their consent to Dr.Christopher M. Cimarusti, Director of the Company, to hold office or place of profit for a period of five years with effect from May 20, 2021, subject to the approval of the members.

Except for Dr.Christopher M. Cimarusti, none of the Directors and Key Managerial Personnel of the Company and their respective relatives, is, in any way, concerned or interested in the Resolution set out at Item No.5 of this Notice.

The Board recommends the Special Resolution set out at Item No. 5 of this Notice for approval by the members.

## ITEM NO 6:

The Board of Directors have at the meeting held on May 11, 2021, on the recommendation of the Audit Committee, approved the reappointment of the Cost Auditors, M/s. Nageswara Rao & Co., Cost Accountants and remuneration payable to them, as set out in the Resolution under this Item of this Notice.

In accordance with Rule 14 of Companies (Audit and Auditors) Rules 2014, the remuneration payable to the Cost Auditors requires ratification by the Shareholders and hence this resolution is put for the consideration of the shareholders.

None of the Directors and Key Managerial Personnel of the Company and their respective relatives, is, in any way, concerned or interested in the Resolution set out at Item No. 6 of this Notice.

The Board recommends the Ordinary Resolution set out at Item No. 6 of this Notice for approval of the Members.

**Annexure to the Notice**

**Information in respect of Directors seeking appointment / re-appointment as required under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

| Name of the Director | Dr. Christopher M. Cimarusti |
| --- | --- |
| DIN | 02872948 |
| Date of first appointment | 20.10.2009 |
| Date of Birth | 15.10.1943 |
| Expertise in specific functional areas | Drug discovery, development and manufacturing |
| Educational Qualifications | Ph.D in Organic Chemistry and Postdoctoral Research from Columbia University, USA |
| Chairman/Member of the Committee of the Board of Directors of the Company | NIL |
| List of directorships, Committee Chairmanship and membership held in other companies as on May 11, 2021 | - TAXIS Pharmaceuticals, Inc.<br>- Neuland Laboratories, Inc. |
| Relationships between directors inter-se | None |
| Number of shares held in the Company as on May 11, 2021 | Nil |