

July 5, 2019

To
B S E Limited
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
Mumbai - 400 001

Scrip Code: 524558

To
The National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
Mumbai - 400 001

Scrip Code: NEULANLAB
Series: EQ

Dear Sirs,

We refer to our letter dated June 10, 2019 enclosing Annual Report of the Company for the financial year 2018-19. We would like to inform you that there are printing errors on two pages in the Annual Report submitted and the same have now been corrected, as under:

1. On page 46, in respect of shareholding of LTR Focus Fund (i) change in shareholding during the year and (ii) as at March 31, 2019 to be read as 265,334 shares and 2.06%.
2. On page 53, (i) the number of committee memberships held in other companies by Mr. Humayun Dhanrajgir and Mrs. Bharati Rao, Non-Executive Independent Directors, be read as 5 and 9 respectively and (ii) among these Committee memberships held in other companies each of these directors hold Chairmanship in one company.

A revised a copy of the Annual Report of the Company, along with the above-mentioned changes, for the financial year 2018-19, has been enclosed for your information and records.

Thanking you,

Yours faithfully,
For Neuland Laboratories Limited


Sarada Bhamidipati
Company Secretary



Encl: a/a



NEULAND

WHERE OPPORTUNITY BECOMES REALITY



NEULAND LABORATORIES LIMITED
ANNUAL REPORT 2018-19

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Corporate Information

Board of Directors

Dr. Davuluri Rama Mohan Rao, Chairman & Managing Director
Mr. Davuluri Sucheth Rao, Vice Chairman & Chief Executive Officer
Mr. Davuluri Saharsh Rao, Joint 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 Khusrokhani¹, Non-Executive Independent Director

Mr. Amit Agarwal, Chief Financial Officer
Ms. Sarada Bhamidipati, Company Secretary & Compliance Officer

¹ Appointed with effect from February 12, 2019

Audit Committee

Mr. Parampally Vasudeva Maiya, Chairman
Mr. Humayun Dhanrajgir, Member
Mr. Davuluri Sucheth Rao, Member
Mrs. Bharati Rao, Member
Dr. Nirmala Murthy, Member
Mr. Homi Rustam Khusrokhani¹, Member

¹ Appointed in the Board Meeting held on February 12, 2019

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

Stakeholders Relationship Committee

Mr. Parampally Vasudeva Maiya, Chairman
Dr. Davuluri Rama Mohan Rao, Member
Mr. Davuluri Sucheth Rao, Member

Bankers

State Bank of India, Overseas Branch, Jubilee Hills, Hyderabad
Indian Overseas Bank, Large Corporate Branch, Hyderabad
Bank of India, Large Corporate Branch, Hyderabad
Kotak Mahindra Bank, Somajiguda Branch, Hyderabad
IndusInd Bank, Begumpet Branch, Hyderabad
RBL Bank Ltd, Madhapur Branch, Hyderabad

Registered Office

NEULAND LABORATORIES LIMITED

CIN: L85195TG1984PLC004393

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)

Statutory Auditors

Walker Chandiok & Co LLP

7th Floor, Block III, White House
Kundan Bagh, Begumpet,
Hyderabad 500 016

Internal Auditors

M/s. Ernst & Young LLP

Oval Office, 18 I-Labs Center,
HITECH City, Madhapur, Hyderabad – 500081

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, Panjagutta,
Hyderabad-500082

Registrar and Share Transfer Agents

Karvy Fintech Private Limited

Karvy Selenium Tower B, Plot No 31 & 32,
Financial District, Nanakramguda
Serlingampally Mandal
Hyderabad-500032

Message from the Chairman



Dear friends,

The year gone by has been a demanding one as we saw external challenges continue to impact the industry and we dealt with the issues surrounding our internal capabilities as well as the external factors. Today, I can state with confidence that we have overcome a lot of the issues which have troubled us in the past and we are in a better position to deal with the challenges likely to come up in the future.

We have spent time focusing on the manufacturing side of the company in order to fix the challenges which we felt

was holding us back. While we continue to work on that front, the top line growth we have seen this year is clearly a reflection of having made significant progress on fixing the capacity constraint issues of the past as well as a few of the market related issues. We have created Manufacturing and R&D organization structures which are more suited to meet the needs of the business currently and in to the future. We set forth expectations in line with the fast-evolving industry dynamics for the leadership of the Manufacturing and R&D teams.

This year was affected by the spike in raw material prices and volatility in supply, and it took us substantial time to address the issue from a profitability perspective.

However, we used this opportunity to showcase to our customers our commitment to their requirements and customers reciprocated by confirming their preference of Neuland as one of their key API partners by expanding their product baskets with us.

Since 2013-14, we have been working on de-risking our business by increasing revenue from Specialty products and the CMS business. The efforts on this front had yielded uneven results with troughs and peaks. This year though the foundation has truly been set for sustainable long-term growth of both the Specialty segment, the results for which we have seen even in FY19, and the CMS business. For the CMS business, this is evident through the increase in the number of projects entering the system.

During the last year, we recruited key people for the Leadership team across functions and spent time on integrating them, aligning them with the company's values, culture and more importantly goals and aspirations. We are setting the organizational foundations for a company which can grow fast in a sustainable manner.

With a few blocks of the newly acquired facility ready for the production of intermediates and the prospect of scaling up APIs from the facility in the coming year, I believe we are in a fundamentally strong place to drive growth in short and medium terms as we have visibility on business from all segments.

Finally, on behalf of the board of Director I would like to thank you for your continued trust, confidence and support.

With Best Regards,

Dr. Davuluri Rama Mohan Rao
Chairman & Managing Director

In conversation with
Sucheth Davuluri, Vice-Chairman & CEO



Were you happy with the Company's performance in 2018-19?

The year was a mixed bag. The year was a good one in terms of expanding our foot print by adding new customers and growing our market share in key products. Even as the pharmaceutical market has been adjusting to new realities, customer expectations are changing. The emphasis has moved from pricing to reliability of supply owing to the volatility in Supply Chain because of raw material supply issues and issues around Quality & Regulatory compliances. We have been able to meet these challenges and expectations as underlined by the sales growth and I believe we now have the

right momentum to continue to grow the company.

However, from a margin perspective, it was disappointing. Revenue, EBITDA and Net Profit grew by 25.6%, 12.4% and 36.7% respectively over the previous year. However, EBITDA margins declined by 110 bps, Net Margins increased by 19 bps over the same period.

What went well and what could have gone better during the year?

From an industry perspective we see that the \$1,069 billion global pharmaceutical market is growing at 5%, while the portfolio of Neuland's Generic products is growing at 8% in value terms and 5% in volume

“From an industry perspective we see that the \$1,069 billion global pharmaceutical market is growing at 5%, while the portfolio of Neuland's Generic products is growing at 8% in value terms and 5% in volume terms. In terms of Therapy Areas globally, the CNS (Central Nervous System), Cardiovascular and Respiratory areas which are among the top 6 TAs continue to grow well in terms of volumes. Good volume growth has also been registered by Ophthalmology products. We have also seen increasing number of approvals from the USFDA both of innovator drugs as well as Generic ANDAs (Abbreviated New Drug Applications).”

terms. In terms of Therapy Areas globally, the CNS (Central Nervous System), Cardiovascular and Respiratory areas which are among the top 6 TAs continue to grow well in terms of volumes. Good volume growth has also been registered by Ophthalmology products. We have also seen increasing number of approvals from the USFDA both of innovator drugs as well as Generic ANDAs (Abbreviated New Drug Applications).

From Neuland's perspective, we have seen good growth from our GDS (Generic Drug Substance) business, both for Prime (established large volume products) & Specialty molecules. Our Prime business grew at a rate upwards of 20% while the growth for Specialty product was at 55%.

Over the course of the year, we have been able to further balance our Production lines and we have seen the efforts over the last 2 years pay off as we have been able to meet customer requirements and further increase our business with them.

We have created further flexibility with the addition of the newly acquired facility and the capacity available at the Unit. During the year we spent time and money to operationalize the plant and the focus will be on leveraging the benefit now and in the future.

Our facility at Pashmylaram (Unit-2) cleared another USFDA inspection without any observations. We continue to see our focus on Quality and compliance bear fruit with the confidence posed in us by both our customers as well as Regulatory authorities.

There are two aspects which could have gone better. One is the spike in raw materials prices about which we have talked during the year. Another area was the CMS business where some of the molecules didn't take off as expected which affected the revenue from the segment this year. We still haven't

reached that critical mass on the CMS front so as not to be affected by a few products, though our capabilities are fully established. The potential of the business is reflected in the number of active CMS projects which has increased from 40 to 56 over the 12-month period.

What was the impact of raw material volatility on the business?

The spike in raw material prices and availability remained a cause of concern for a major part of the year. The escalation in prices which commenced in Q4 of 2017-18, continued right through 2018-19.

This unprecedented price hike impacted products especially in the Prime segment (established large volume molecules). We did not anticipate that the increase of raw material prices would continue for such an extended period.

Having said that, I am glad to note that raw material prices have stabilized but have reset themselves to a new normal and there still seems to be an element of unpredictability. So, it seems unlikely that raw material prices will go down to the level of Q2/2017-18.

How did this volatility take a toll on your customer commitments?

We ensured that the raw material volatility did not impact our customer commitments significantly. We took a conscious call of living up to our promises even at the cost of short-term business margins to meet our customer commitments. We met our commitment on each and every order during the year and maintained our OTIF. We did not have single order cancellation because we couldn't supply, despite the extremely volatile situation in China. We not only protected our business; we also were able to expand further into our customers' portfolios with our basket of products as customers saw our reliability in the face of difficult circumstances.

How are you insulating yourselves from further supply chain volatility?

Some of the operational measures include:

- Backward integration for key intermediates – we commenced the production of key intermediates at our recently acquired facility
- Developing geographically diverse vendors for critical raw materials that were being bought only from one or two countries.

Besides, we worked closely with our customers on recalibrating the prices for some of these affected APIs, in order to maintain sustainable supplies.

You have a sizeable basket of products with an equally strong pipeline. Why don't you drop some of the low margin products?

One of our core strategies is that once we are in a product, we seldom discontinue or drop it unless forced by regulation or force majeure type issues. Our goal is to continue to invest in the product's lifecycle management, keep growing those products by qualifying new customers and establish ourselves as market leaders globally, for all our APIs. Investment in the product involves studying the market closely and developing an appropriate product strategy from a supply-chain, process (R&D), manufacturing, regulatory and market perspective.

You raised funds through a QIP at the start of the year after the acquisition of the new unit. Why was it necessary?

We raised funds through the QIP route as we wanted to strengthen the balance sheet to be able to fund our growth over the medium term. We wanted to ensure that have the requisite liquidity in the system to capture interesting business opportunities which come up over a period of time and our Balance Sheet would not support additional leverage. This initiative would help in tiding over our

financial requirement seamlessly, without impacting the cash flow from routine business operations.

What is your focus for the current year?

There is a considerable promise for all our revenue streams in the current year. Our endeavour would be to effectively capitalise on emerging opportunities, to maximise profitable business growth and aggressively investing in business development and market penetration.

We will focus our energies on cost management – improving efficiencies, and recovery, minimising wastages and

optimising process cost. This, I believe, will strengthen the core of our business operations. We would also concentrate on effectively and efficiently utilising the capacity of the recently acquired facility, which I am confident, will make a healthy contribution to business growth and margin improvement.

Moreover, we will concentrate on leveraging technology across the organisation. For this, we have significantly increased our IT spend for deploying cutting-edge solution that will enable every team member to add value to their day-to-day operations. From a management standpoint, we look forward

to leveraging analytics which will lead to faster and informed decision making. This, I am convinced will be the building block for a more agile and connected organisation.

What are the key risks that could impact business performance and what is your mitigation strategy?

Managing uncertainties is an essential part of business. Fiscal 2018-19 bears testimony to this reality where we worked relentlessly to de-risk the business from macro-economic factors. Below are a few of the key risks (not a comprehensive list).

Regulatory risk	These could include regulatory audits and various other government (national & international) statutes. Failure to clear audits could impact business operations	We have a strong internal audit department which maintains a disciplined culture of sticking to SOPs for all operations. We also seek help from external consultants who bring expertise on different aspects. We have surprise audits conducted at regular intervals to ensure we are always prepared.
Environment and Safety Risk	These are critical elements of sustainable operations.	We have a strong EHS (Environment, Health & Safety) team across all our facilities who facilitate a strong culture of compliance to environment and safety norms. We have a strong training program with emphasis on group discussions based on real life case studies. Moreover, we conduct independent third-party safety audits at our operating units. These initiatives help in minimizing the impact of this potential risk.
Product scaling risk	Issues in moving products from the lab scale to the plant could impact business growth.	To ensure that we mitigate the risk associated with scaling of new products, we have set up a Process Engineering and Process Safety lab in our R&D facility. These labs allow to undertake Quality by Design (Qbd) studies before finagling on the process. We are also investing in a pilot plant which will give the R&D team further ability to ensure scale-ups are First-time Right.
Supply risk	Sudden changes in the supply chain leading to shortages and spike in raw material costs	We have broad-based our supply chain from a geographic perspective. Further, we have identified key intermediates for backward integration, some of which have been scaled up and work is in progress for others. We have constituted Cross-functional teams who are focused on further de-risking of the supply chain.
Financial risk	Growth in business requires financial resources. The inability to garner adequate resources could impact business performance.	Neuland is defining itself as a fiscally conservative company. As such our utilization is only 70-75% of our working capital limit. Moreover, the recent QIP issue provided adequate funds to meet future growth plan.

Do you have any closing remarks?

Through this Q&A, I hope I have answered many of the questions in the minds of our stakeholders. I would like to thank you for taking the time to understand the company. In case you have any further questions please feel free to reach to the company through the contact details available in the annual report or on our website.

Message from Saharsh Davuluri,
Joint Managing Director



“I believe that the CMS vertical will emerge a high-value vertical which, over the next 3-5 years, will expand the Company’s returns and position in the industry significantly.”

Dear friends,

It is my pleasure to report that fiscal 2018-19 was a good year, primarily from a growth and credibility standpoint.

The drop in volumes for 2017-18, which was an aberration to the normal trend, corrected itself this year, with the return of volumes in 2018-19, thereby strengthening the trust in the minds of our shareholders. It has further inspired their confidence that Neuland’s management understands sectoral trends accurately and communicates truly and completely. This trust is an invaluable asset that will

help in maximising shareholder value over the medium term.

From a business perspective, there were varied results. While the GDS business supported business growth, the CMS segment performed way below expectations.

GDS segment: The GDS business is the base for Neuland as we have been working in the generics market for over 30 years now. We have a long-standing business relationship with key customers which is the bedrock on which the company has been built and is key to the sustainable growth of the company. We have filed a total of 56 USDMFs and continue to develop new products for our customers.

This portfolio of products is now split into Prime (the high volume, mature products) and Specialty (low volume, high-value products with elements of differentiation).

Over the last few years, we have focused on growing the Specialty business, and we are now seeing that effort fructifying into results as the Specialty accounted for over ₹160 Cr in Revenue. In the first half of 2018-19, there was a steady demand for our Specialty molecules, the second half was considerably better - growth being aided by strong volumes for three APIs - Deferasirox, Dorzolamide, and Donepezil across multiple markets. Although demand for Salmeterol was absent from the US markets, we registered steady volumes from multiple markets, where our product is being marketed. Overall, the top line from this vertical registered a 55% growth over the previous year.

Going forward, we see significant volumes coming from North American markets for Salmeterol, although we cannot provide a reasonable timeline for the uptick in volumes. Besides, there are other interesting molecules in the pipeline that promise healthy growth in the current year.

The Prime business is also space where we are seeing exciting opportunities for long term growth as we focus on becoming market leaders across products with strategic importance given to a few which we believe will continue to grow. We saw impressive growth in the Prime business in the last year driven by Levetiracetam, Levofloxacin, and Mirtazapine, along with a sizable contribution from other products. This growth was achieved on the basis of a conscious decision taken by the management to pursue market share for select products, which would give better returns over the long term. However, the profitability from this segment got affected due to the escalation of raw materials costs, but we believe that over a period of

time normalcy will be restored in terms of margins even as we work internally to bring down process costs.

CMS segment: The CMS is a high-value business and a crucial element in Neuland's growth going forward. Our business model surpasses most in this space in terms of efficiency and functionality. The following are the reasons behind it:

1) Our CMS segment is a specialty. We are in the NCE development space - we support global innovators in their endeavour by developing high-value API to be used in their new molecules (including orphan drugs). This requires rich knowledge of complex chemistry, deep expertise in understanding complex regulatory requirements of filing New Drug Applications (NDAs) and manufacturing them under cGMP. Hence this is a space that is relatively uncluttered.

2) Our CMS segment is more stable. A considerable proportion of our revenue accrues from the molecules which have been or about to be commercialized. Since we are the approved API supplier for the innovator, our volumes are largely assured - but they could be lumpy.

3) Our CMS segment is sustainable. There is always a sustained flow of R&D soft-work projects where we are to support the global innovator's molecule development efforts. These projects throw up interesting opportunities for commercial supplies.

Having said that, we are a relatively new player with just about a decade of experience in this challenging and dynamic space. Despite this, we have covered good ground. At the start of fiscal 2018-19, we had 10 molecules for which we manufacture commercial volumes and we had about 56 R&D projects which were at various stages of development.

On the R&D projects and lab-scale work side, there was a healthy inflow of projects - 56 as on March 31, 2019, against 40 as on March 31, 2018. This year we received the maximum number of projects.

In the Commercial segment, we have 5 molecules of which three are the key growth drivers. While two generated healthy volumes, one molecule did not perform up to expectations - which pulled down the overall performance of the vertical.

But 2018-19 belied our expectation. Revenue from this business vertical did not match up to estimates - it declined by about 12% over the previous year. This decline is primarily due to the fact that the CMS business is still in its early stages, therefore volatility will be an inherent part of this vertical - until we establish a robust foundation.

Neuland today is the custodian of 56 projects (for which it has done some R&D work), which include 13 molecules in the development stage and 10 molecules in Phase-III stage. These are probable candidates for future commercial revenue for the Company, and the highest we have ever had in our decade-old CMS journey.

In addition, we added 5 APIs/intermediates to our commercial segment in 2018-19. These, over a period of 2-3 years, are expected to generate healthy cash flow and provide the necessary stability to the vertical.

Going forward, I believe that the CMS vertical will emerge a high-value vertical which, over the next 3-5 years, will expand the Company's returns and position in the industry significantly.

Warm regards,

Davuluri Saharsh Rao

Board Of Directors



Dr. Davuluri Rama Mohan Rao

Dr. Davuluri Rama Mohan Rao (DIN: 00107737), holds a Masters' degree in Science from Andhra University, Postgraduate Diploma in Synthetic Drugs and Fine Chemicals Technology from IIT, Kharagpur. He has done his doctorate in Organic Chemistry from the University of Notre Dame, USA in 1969. He held Research positions at University of Vermont - Burlington, Downstate Medical Centre - New York and Indian Institute of Science - Bangalore. He has 9 publications in International Journals. He is a member of Royal Society of Chemistry. After several years of academic research, he joined Glaxo India in 1973 and held senior positions in R&D, Quality and Manufacturing. He left Glaxo in 1983 and joined an Indian Pharma company for a brief period where he was responsible for a successful USFDA inspection. He promoted Neuland in 1984.



Mr. Davuluri Sucheth Rao

Mr. Davuluri Sucheth Rao (DIN: 00108880), Vice-Chairman and Chief Executive Officer, has a degree in Mechanical Engineering and holds an Masters 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. He is equipped with broad-based management skills in new business development, sales & marketing and operations management. He has direct P&L responsibility at the board level enhanced by the necessity to comply with high standards of corporate governance for a listed company, Quality related regulations and EHS (Environment, Health & Safety) laws. At Neuland, Sucheth has been responsible for establishing subsidiaries in the US & Japan, increasing Sales from Regulated Markets, strengthening Quality Management Systems, driving Neuland's strategy towards specialty APIs & the CMS Business. He is currently the Executive Trustee of Neuland Foundation.



Mr. Davuluri Saharsh Rao

Mr. Davuluri Saharsh Rao (DIN: 02753145), Joint Managing Director, 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 pursued 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 organization. Saharsh spent some time with a venture fund focused on Lifesciences in the Research Triangle. He joined Neuland in 2007, with responsibility for initiating the Custom Manufacturing Solutions (CMS) business. He is currently responsible for all Marketing, Business Development activities along with oversight of R&D.



▶ **Mr. Humayun Dhanrajgir**

Mr. Humayun Dhanrajgir (DIN: 00004006), is an Independent Director of our Company. He is a B. Tech. (Chem Eng), Loughborough, M.I., CHEM. E, UK, C-Eng(Lond), AMP (Harvard) by qualification. He has an experience of over 45 years in the pharmaceutical industry. He has held several senior positions in Glaxo India Ltd, including being the Managing Director and Executive Vice-Chairman and later Managing Director of Kodak India Limited. He is a past President of the Organization of Pharmaceutical Producers of India (OPPI) in the early 90s. Mr. Dhanrajgir is also a Trustee/Chairman of Breach Candy Hospital Trust, Mumbai. He was a member of the Bombay Chamber Of Commerce & Industry in the early 90s and was Chairman of the Indo- British Council of the Bombay Chamber. He is a member of the Global Advisory Board of Asian Center for Corporate Governance and Sustainability. He also serves on a few Boards of public companies notably Cadila Healthcare Ltd., Zydus Wellness Ltd, Emcure Pharmaceuticals Ltd. (Chairman), Next Gen Publishing Co. Ltd. (Chairman). Mr. Dhanrajgir is active in sports and plays golf regularly.



▶ **Mr. Paramally Vasudeva Maiya**

Mr. Paramally Vasudeva Maiya (DIN: 00195847), is an Independent Director of our Company. Mr. Maiya is a Master of Arts by qualification. He had a career of 32 years with the SBI, where he was a General Manager. He was deputed as the Executive Director of SCICI between 1991 and 1993 by the SBI. He then moved on to become the first Managing Director of the ICICI Bank which he set up in 1994. He retired as the Executive Chairman of the bank in 1998. Thereafter he was appointed as the first Managing Director of Central Depository Services (India) Limited, which also he set up and relinquished his post in November 1999. During 2001-03, he was the Government of India Nominee Director on the Board of Indian Bank and around the same period he was also a Chairman of the Board of Trustees of Canbank Mutual Fund. He was shareholder elected Director on the Board of Canara Bank from 2007-13. Presently, besides our Company, Mr. Maiya is a director on the Boards of Ocean Sparkle Limited and BCV Developers Private Limited. Mr. Maiya is a Trustee of Brigade Foundation.



▶ **Dr. Christopher M. Cimarusti**

Dr. Christopher M. Cimarusti (DIN: 02872948), is a Non- Executive Director of our Company. He has completed his PhD in Organic Chemistry from Purdue University, USA and his Postdoctoral Research from Columbia University, USA. He has more than 50 years of experience in the field of drug discovery, development and manufacturing. He was awarded more than 60 patents and published more than 40 papers in refereed journals.



▶ **Dr. William Gordon Mitchell**

Dr. Will Mitchell (DIN: 02222567) is an Independent Director of our Company. He has completed his PhD from the School of Business Administration of the University of California, Berkeley. He is presently the Anthony S. Fell Chair in New Technologies and Commercialization at the Rotman School of Management of the University of Toronto, where he is academic co-director of the Global Executive MBA for Healthcare and the Life Sciences. Prior to joining the University of Toronto, Will was Professor of Strategic Management at Duke University and the University of Michigan in Ann Arbor. He is on the editorial board of several management journals. His teaching and research interests include corporate strategy, emerging market strategy, and strategy in the global health care sector.



Mrs. Bharati Rao

Mrs. Bharati Rao (DIN: 01892516), is an Independent Director of our Company. Mrs. Rao 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, International Banking, human resources and mergers and acquisitions. She has represented SBI on the boards of various companies and financial institutions as a nominee director and also served as an advisor for Mergers and Acquisitions.

Mrs. Rao is presently on the boards of SBICAP Securities Limited, SBI Capital Markets Limited as nominee director and as an independent director on Cholamandalam Investment and Finance Company Limited, SBI Global Factors limited, Carborandum Universal Limited, Can Fin Holmes Limited, Tata Teleservices Limited and Delphi-TVS Diesel Systems. She is also an advisor to Brickworks Ratings Company.



Dr. Nirmala Murthy

Dr. Nirmala Murthy (DIN: 00734866), is an Independent Director of our company. Dr. Murthy is currently the founder member and advisor of the Foundation for Research in Health System, a non-government research organization. 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 programs. She has designed several management training programs 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.



Mr. Homi Rustam Khusrokhhan

Mr. Homi Khusrokhhan (DIN:00005085) is an Independent Director of our Company. He is a Fellow member of the Institute of Chartered Accountants of India. He studied at the Sydenham College of Commerce & Economics and obtained the degree of B. Com (Honours) from the University of Mumbai and later at the London School of Economics and Political Science where he obtained the degree of M.Sc. (Econ.) London. Mr. Khusrokhhan 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 businesses and mergers & acquisitions.

Mr. Khusrokhhan has earlier been the Managing Director of Glaxo & Burroughs Wellcome in India, Tata Tea Limited and Tata Chemicals Limited. He was a Special Advisor to the Government appointed Board of Satyam. 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 and ICICI Bank. He is on the Boards of Strides Pharma Science Limited, Samson Maritime and Novalead Pharma Private Limited. 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 Governors of The Anglo Scottish Education Society.

Financial Performance

10 YEAR TRACK RECORD

STANDALONE

(₹ in lacs)

STATEMENT OF PROFIT AND LOSS	FY 19	FY 18	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11	FY10
Income	67,032	53,370	58,889	51,159	46,993	46,911	46,390	44,993	39,926	28,266
EBIDTA	6,136	5,457	10,686	8,149	6,715	7,371	6,145	4,835	4,994	2,808
Finance Costs	1,566	1,892	2,108	2,447	2,735	2,455	3,133	3,327	2,984	2,567
Profit Before Taxes [^]	1,984	1,354	6,655	4,128	2,448	3,422	1,549	18	470	(1,116)
Profit After Taxes	1,614	1,181	4,638	2,641	1,578	2,667	1,364	203	507	(704)
Earning Per Share of ₹10	12.83	10.59	41.58	29.73	18.47	32.16*	17.84	3.36	9.39	(13.05)
Dividend Per Share of ₹10	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 19	FY 18	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11	FY10
Networth	69,558	55,478	54,277	18,417	15,982	12,260	9,858	7,511	7,313	6,842
Loan Funds	-	-	-	-	-	-	-	-	-	-
Term Loans	7,929	11,750	3,968	4,527	2,884	2,495	5,180	8,678	9,871	12,392
Working Capital	14,906	19,920	15,108	12,363	14,580	13,662	12,947	12,678	12,982	10,744
Others	311	250	135	1,313	1,312	2,853	3,206	651	522	182
Fixed Assets	33,669	29,163	17,588	17,925	16,454	16,542	17,121	17,844	18,556	19,298
Goodwill	27,946	27,946	27,946	-	-	-	-	-	-	-
Cash and Bank Balances	3,735	1,705	1,204	904	649	668	775	1,143	1,449	1,277

KEY RATIOS	FY 19	FY 18	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11	FY10
EBIDTA as % of Income	9.15	10.22	18.15	15.93	14.29	15.71	13.25	10.75	12.51	9.93
Fixed Assets Turnover (No. of Times) ^{^^}	2.89	3.22	3.77	3.69	3.82	3.58	3.42	2.97	2.52	1.74
PBT [^] / Income (%)	2.96	2.54	11.30	8.07	5.21	7.30	3.34	0.04	1.18	(3.95)
PAT / Income (%)	2.41	2.21	7.88	5.16	3.36	5.68	2.94	0.45	1.27	(2.49)
Return on Capital Employed (%)	3.94	4.04	15.92	18.42	15.70	18.82	15.43	11.11	11.35	5.03
Return on Tangible Net worth (%)	4.67	4.38	20.73	15.36	11.18	24.11	15.70	2.74	7.16	(9.77)
Net-Debt to Tangible Net worth	0.47	1.10	0.68	0.94	1.13	1.50	2.09	2.78	3.00	3.22

[^] Before Prior Period and Exceptional Items ^{^^}Excluding Goodwill and Capital Work in Progress

OTHERS	FY 19	FY 18	FY 17	FY 16	FY15	FY14	FY13	FY12	FY11	FY10
Neuland Share Price on BSE (₹ per Share of ₹10)*	674.35	707.05	1,488.15	700.00	333.00	260.00	93.85	72.90	117.85	100.85
No. of Equity Shares (in Lacs)	128.30	111.55 [^]	111.55 [^]	88.83	88.83	76.56	76.45	53.96	53.96	53.96
Market Capitalisation (₹ in Lacs)	86,518	78,871	166,001	62,183	29,581	19,905	7,175	3,934	6,360	5,442
Book Value (₹ per Share of ₹10)	542.16	497.34	486.58	206.93	179.58	160.14	128.95	139.17	135.51	126.77

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

Management discussion and analysis

Global pharmaceutical sector



The global pharmaceutical industry has remained in the spotlight in almost every nation for its strong correlation with the nation's economic strength and improved standards of healthcare. As a result, quality of healthcare and spend continues to occupy sizeable mind space of policy makers, patients, payers and drug manufacturers.

Promise and prospects: Buoyed by healthy growth in the US and pharmerging markets, the global pharmaceutical market is expected to grow beyond US\$1.5 trillion mark by 2023 – growing at 3-6% CAGR over the next five years.

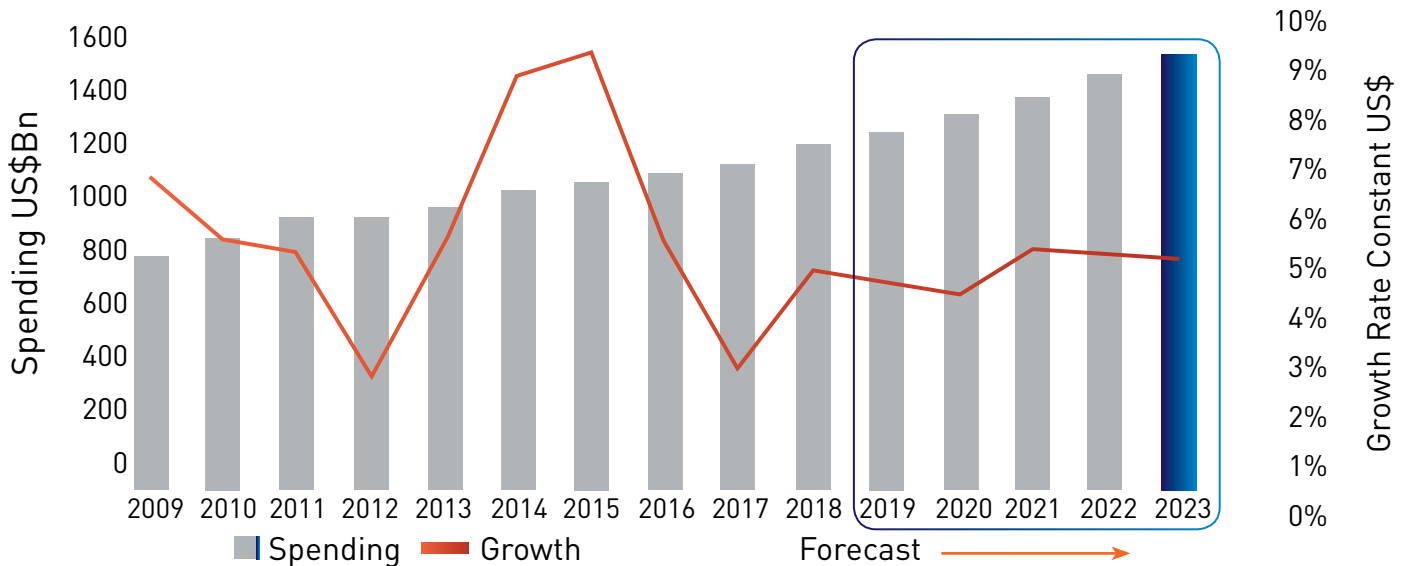
Trends expected to play out during this period

- Uptake of newer brands and products is expected to remain strong
- Lesser impact of price cuts on brand than other products
- Generic usage in the unprotected markets to exceed the target. Product mix to continue its shift towards specialty and orphan products

Focus on investment in R&D has increased considerably resulting in growing molecule pipelines. This could result in an increase in new product launches during

the next five years – an average 54 new active substance launches per year over the next five years up from 46 in the past five years. The impact of exclusivity loss in developed markets is expected to be US\$121 billion between 2019 and 2023, with 80% of this impact (~US\$95 billion in the US). By 2023, 18 of the current top-20 branded drugs will be facing generic or bio similar competition.

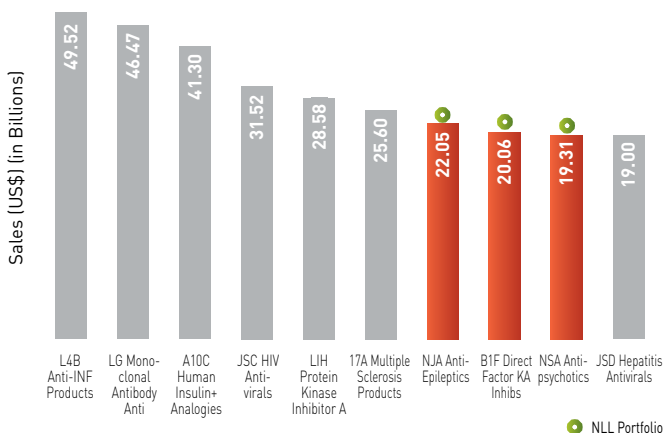
Global Medicine and Growth 2009-2023



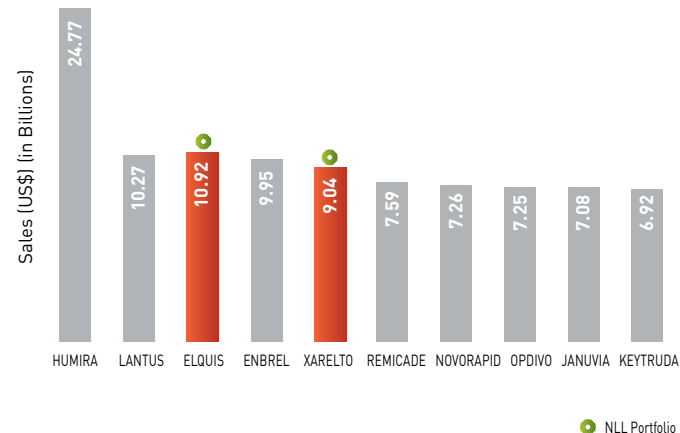
Source: IQVIA Market Prognosis, Sep 2018; IQVIA Institute, Dec 2018



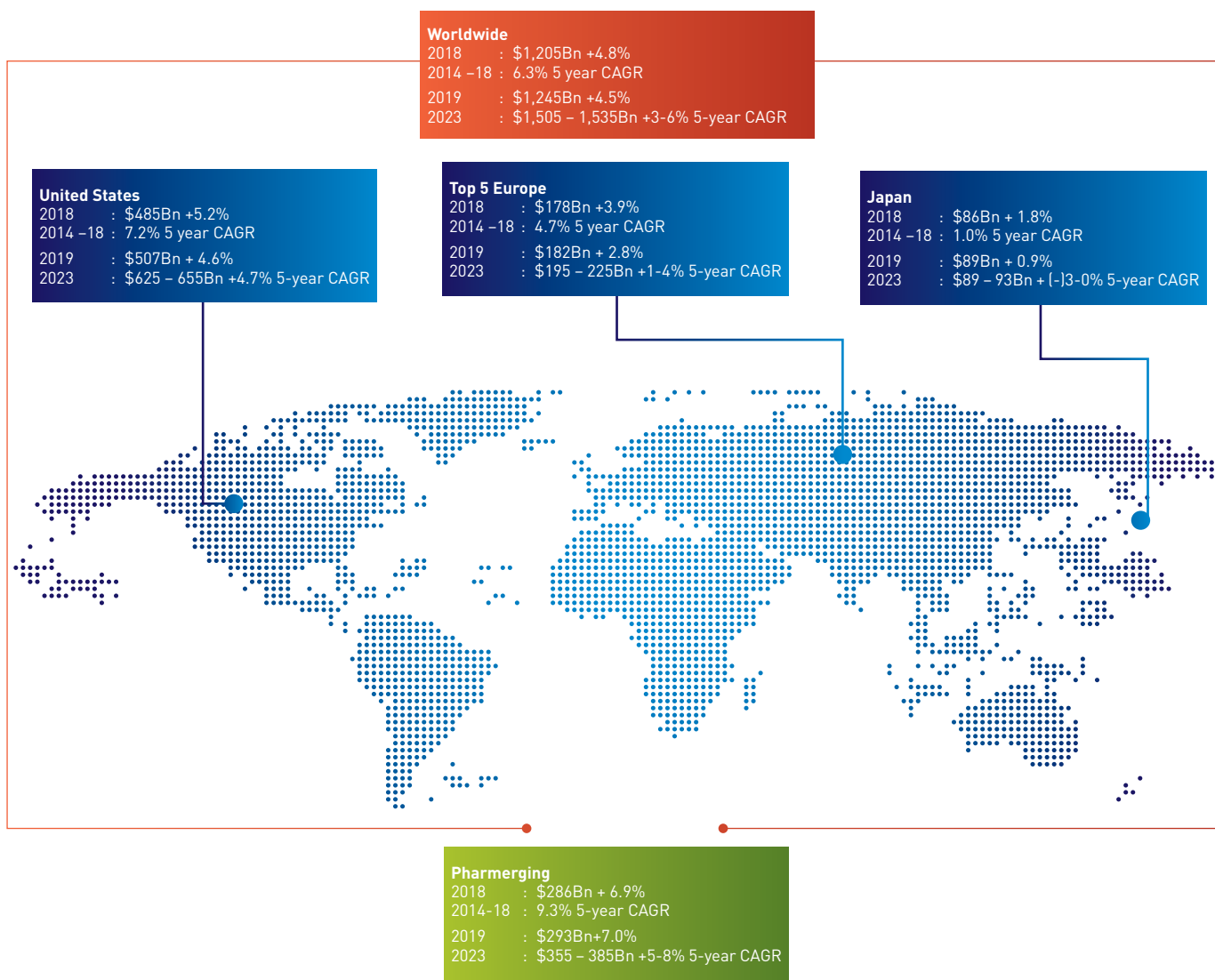
Global: Top 10 therapies



Global: Top 10 products



Global Medicine Spending and growth in Selected Regions, 2018-2023



Source: IQVIA Market Prognosis, Sep 2018; IQVIA Institute, Dec 2018

Notes: Market sizes shown in US\$ with actual and forecast exchange rates; growth shown in constant dollars at Q2 2018 exchange rates; Japan growth decline on constant dollar basis is due to exchange rate dynamics.

Indian pharmaceutical industry



Robust industry growth over the last three decades has positioned India as the world's third largest producer of drugs (in volume terms).

Currently, India is the largest provider of generic drugs globally and caters to over 50% of global demand for various vaccines, 40% of generic demand in the U.S., and 25% of all medicines in the U.K

Performance in 2018-19

India's domestic pharmaceutical turnover reached ₹129,015 crore (US\$ 18.12 billion) in 2018-19, growing by 9.4% year-on-year from ₹116,389 crore (US\$ 17.87 billion) in 2017-18. The healthy uptick was owing to the lower base of the previous year

(2017-18) and the limited impact of the Fixed-Dose combination ban during the period under review. According to AIOCD-AWACS, anti-diabetes, cardiovascular, respiratory, and dermatology therapies recorded double-digit growth during the year.

Fiscal 2018-19 was challenging for some of the leading Indian pharmaceutical companies having a sizeable exposure to the US markets. Regulatory challenges linked to plant-specific issues and/or price erosion in the base portfolio resulted in a decline in their US business. This resulted in a decline in overall exports to North America, the largest market for India's pharmaceutical products.

Despite these headwinds, overall export of pharmaceutical products stood at an all-time high, crossing the US\$19 billion mark in 2018-19 against US\$17.27 in the previous fiscal.

Recently, the New Drugs and Clinical Trials Rules, 2019 has eliminated the process of conducting clinical trials in India for new drugs approved for use in select developed markets whose global trials included Indian patients. This initiative promises to reduce the time and cost of introducing these new drugs in India. This augurs well for healthcare industry even as it intensifies competition for Indian players.

Prospects over the horizon

The Indian pharmaceutical sector appears to be better placed than before. There are credible reasons to support this optimism.

The US markets are becoming more stable. US generics business which witnessed double digit price erosion in the base business post buyer consolidation is stabilising – suggesting that revenue would start growing going forward. Moreover, portfolio consolidation by big pharma companies has reduced

competition in legacy products, thereby easing competitive pressure.

Moreover, the next wave of patent expiry includes complex generics and specialty drugs, which are difficult to manufacture and have less competition. This augurs well for India's R&D focused companies with a specialty in managing complex chemistry.

Clearance in 483 observations and limited instances of warning letters or import alerts by the USFDA in CY18 indicate

increased regulatory compliance by companies which should bring the US exports back on track.

Further, pharmaceutical companies are seeking to venture into high potential markets (Latin America, China and Africa) away from conventional regulated markets which is expected to open new growth vistas for the pharmaceutical sector.

Growth drivers of the Indian pharmaceutical sector

Demand –side drivers



- Increasing fatal diseases
- Accessibility of drugs to greatly improve
- Increasing penetration of health insurance
- Growing number of stress-related diseases due to change in lifestyle
- Better diagnostic facilities

Supply-side drivers



- Cost advantage
- Skilled manpower
- India a major manufacturing hub for generics
- India accounts for 22 per cent of overall USFDA approved plants
- Increasing penetration of chemists

Policy support



- National Health Policy 2015, which focuses on increasing expenditure on healthcare segment
- Reduction in approval time for new facilities
- Plans to set up new pharmaceutical education and research institutes
- Exemptions to drugs manufactured through indigenous R&D from price control under NPPP-2012

India ranks third in the global cost-competitiveness ranking while it stands at the sixth position in global reputation table.



Active pharmaceutical ingredients

Bulk drugs or Active Pharmaceutical Ingredient (APIs) are the materials used in medicines to give them their therapeutic effect.

Global API space

The global API market witnessed steady growth in 2018 in terms of volume and value despite disruptions from the conventional supplier base i.e. China and India which impacted API availability and economics across the globe.

Reasons for dependence on China

China's dominance in the global API space is largely owing to consistent investment in business-critical factors such as chemistry expertise, technology and large infrastructure. This has resulted in a shift in manufacturing of intermediates and APIs to China. As a result, many companies in other parts of the world curtailed API operations and invested in more lucrative product areas. This resulted in further concentration of API and intermediate manufacturing in China.

The Chinese Government's efforts to curb pollution impacted certain API and intermediate manufacturing zones, mandating them to shut operations. The resultant production shortfall impacted the price and supply of these products across the pharmaceutical value chain.

Reasons behind hike in costs

Supply uncertainties and disruption arising out of China, a dominant global player of KSM (key starting material) due to environmental concerns, pushed their prices northward. This was further accentuated by supply disruption from certain KSM manufacturing units in India owing to environment concerns. This impacted the price spike in KSMs globally and the global API sector. In addition, the rise in global crude prices in the first half of 2018-19 exerted pressure on solvent prices (a crude derivative). This also cascaded into a hike in API costs.

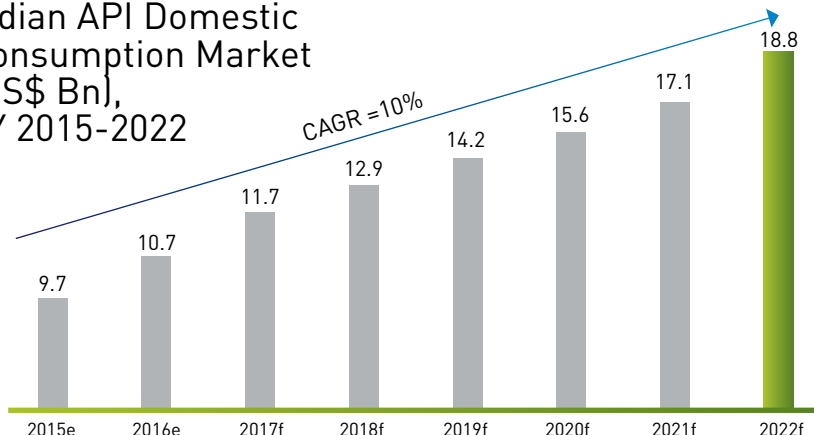
India's API space

India produces a third of the world's medicines, mostly in the form of generic drugs. But, unfortunately it relies primarily on imports (from China) of Key Starting Materials, intermediates and APIs for manufacturing those generics. According to the Department of Pharmaceuticals, currently, over 70% of APIs are sourced from China; for some specific APIs, the dependence is over 80-90%.

China's environmental management efforts led to the closures of many factories producing KSM, intermediates and APIs, leading to supply chain disruption. This impacted almost all the players in the pharmaceutical value chain.

To mitigate this risk, the Chemicals & Fertilizers Ministry, along with other ministries are drawing up a road map for increasing KSM, intermediate and API production in the India.

Indian API Domestic Consumption Market (US\$ Bn), FY 2015-2022



Source: RNCOS Estimation 2017

Way forward

Growth in healthcare adoption has benefited the API market. There is greater focus on providing access to affordable healthcare especially to the Indian populous at the lower end of the societal pyramid. This has led to increased surge for access to medicines, in turn driving the growth of the market.

Over the next five years, the global market for APIs will be driven by increased demand for pharmaceutical products.

Genericisation of patented drugs is the key driver for the API market. Credible sources suggested about 20-25 drugs have gone off patent in 2018.

A report in the US journal Chemical and Engineering News in February, 2019 suggests that more than 140 API manufacturers shut down operations in the Beijing-Tianjin-Hebei region alone owing to effluent violations.

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Custom Manufacturing Solutions (CMS)



Innovation is the key ingredient for sustaining success and growth of the pharmaceutical industry. For existing diseases are becoming more complex, new-age ailments are emerging with our growing preference for sedentary lifestyles.

Moreover, every discerning consumer demands improved medicines for faster and better recovery. To accelerate medical progress, the pharmaceutical industry is investing billions to challenge the frontiers of science to make a meaningful contribution to society. But, escalating cost have made it prohibitive for innovator companies to undertake the full research and development lifecycle on their own. Further, increasing regulatory complexities have also made research outsourcing a viable option for global innovator companies.

These challenges have made it imperative for global healthcare companies to outsource their drug development activities to contract research organizations who have the

infrastructure, cost competitiveness and chemistry expertise to carry forward their innovation. This migration has led to global restructuring of R&D activities globally.

As such, the contract research and manufacturing services (CRAMS) industry plays a pivotal role in partnering with pharma and biotech companies to provide chemistry services and advance their drug candidates.

The global healthcare contract research outsourcing market is rising with increasing complex regulatory processes & growing regulatory burden.

India, with its globally-benchmarked infrastructure, rich intellectual capital in chemistry skills, a large patient population and genetic pool, is fast emerging as a preferred destination for such multinationals seeking efficiencies of cost and time. The country's CRAMS industry offers a significant cost-quality proposition, with potential savings of about 30-40% compared to western markets such as the US and Europe.

Optimism over the horizon

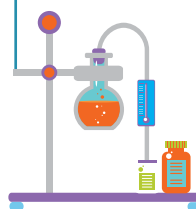
The global healthcare contract research outsourcing market is rising with increasing complex regulatory process & growing regulatory burden. Increasing research by small biotech companies is also contributing to the growth of the CRAMS sector.

This explains why currently, around 85% of the NCEs are manufactured at CDMOs – a number which can rise over the coming years.

The global healthcare contract research outsourcing market was valued over US\$ 30 bn in 2016 is projected to witness cumulative annual growth rate (CAGR) of over 6% from 2017 to 2025 to cross US\$ 54 bn by 2025.

The global CDMO market is forecast to grow at a healthy single digit driven by three key factors: increased outsourcing of manufacturing by pharmaceutical companies to optimise costs, improve quality and focus resources on their core interests.

Within India, the contract research market is scheduled to grow from around US\$1 billion in 2016 to US\$1.97 billion by 2023

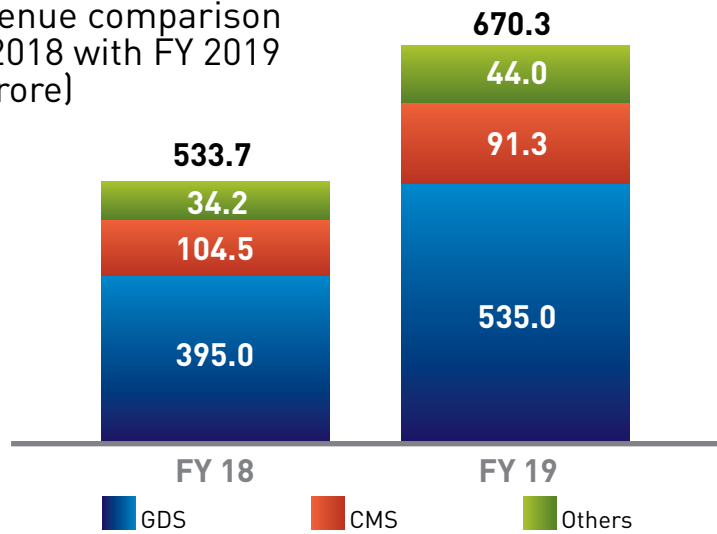


Business operations

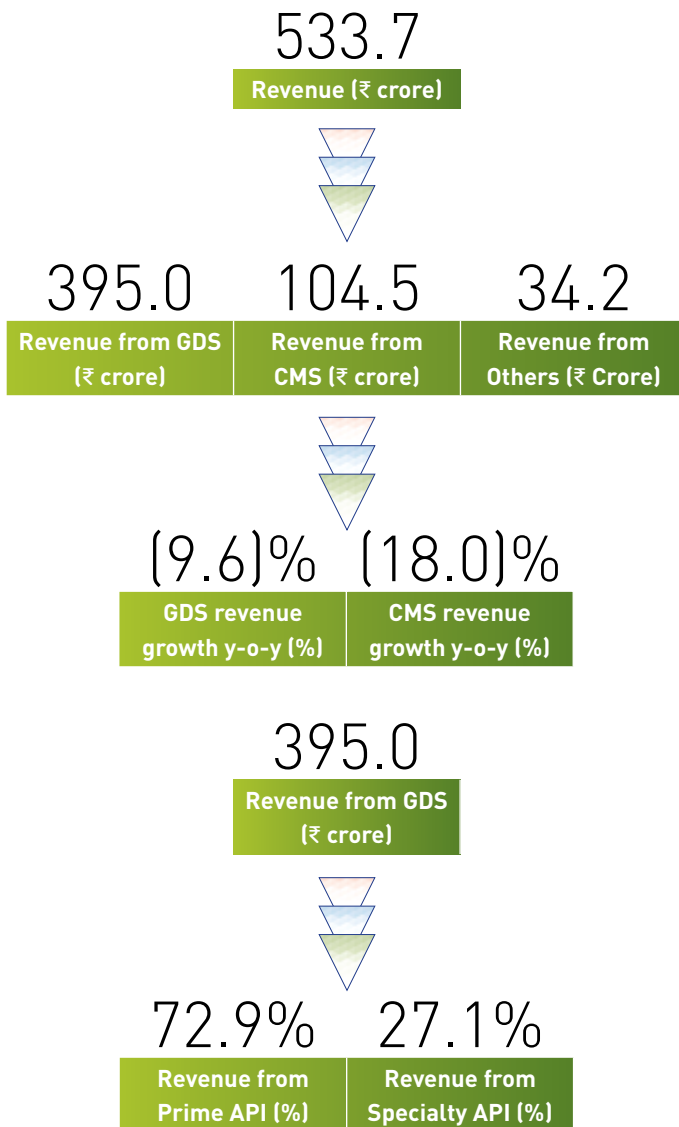
Neuland is primarily an API manufacturer with a large bouquet of products that find acceptance with over 500+ generics and innovator companies largely in regulated markets (Europe, North America and Japan).

Apart from APIs, the company focused on the custom manufacturing services (CMS) segment. This R&D focused business vertical partners with global innovator companies for developing intermediates and APIs for their novel molecules. In addition, it also includes manufacturing APIs for commercial molecules in line with customer specifications.

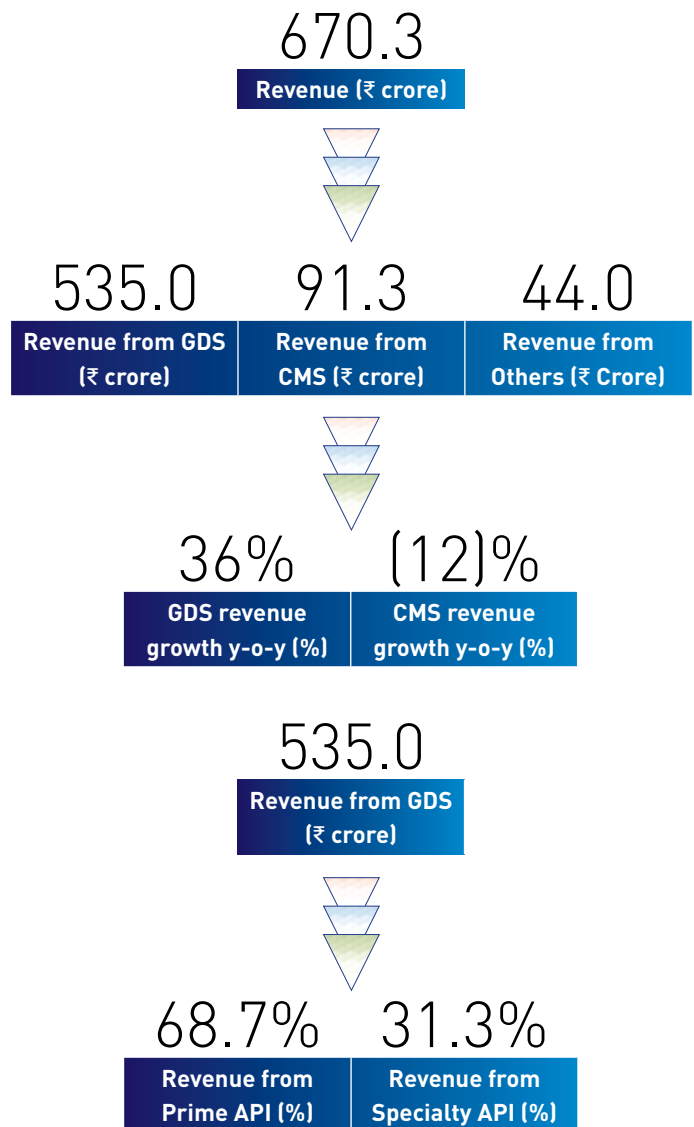
Revenue comparison
FY 2018 with FY 2019
(₹ crore)



FY-18



FY-19



Generic Drug Substances (GDS)



Neuland is pure-play API manufacturer for several domestic and international pharmaceutical companies. The Company has three USFDA approved facilities (including the recently acquired Unit 3) that manufacture more than 75 APIs addressing 36 therapies.

Neuland's APIs are primarily marketed in highly regulated markets such as the US, Europe and Japan (accounting for more than 85% of its sales) – this lends a watermark of credibility on the accuracy and reliability of its systems and processes.

Neuland's facilities have successfully cleared 12 consecutive USFDA audits which has helped in nurturing client trust in its ability to deliver on its commitments.

Based on the product lifecycle, Neuland has broken down the operations into prime APIs and specialty APIs. As these spaces require a different mindset and expertise, the segregation facilitates in

providing adequate focus on growing each segment individually.

Prime APIs

These typically include mature APIs that have relatively higher competition. This segment represents the high-volume part of the business and have the highest contribution to the company revenues.

This segment comprises of over 15 APIs, of which Ciprofloxacin (anti-bacterial agent) and Levetiracetam (anti-epileptic agent) are the key molecules, which together contribute about 27% of the segmental top-line. Besides these two, other important molecules include Levofloxacin, Mirtazapine Enalapril Maleate, Sotalol, Labetalol and Salbutamol. In recent times, the company has shifted its focus from low-value high volume business to high-value product mix, the Specialty molecules.

Specialty APIs

It includes molecules which are technically

complex in nature, generally low volumes but have significant value. This allows the team to focus on its areas of strength such as processes involving chiral chemistry, hydrogenation, and inhalation products, among others. The segment is beneficial as commercial scale up is easier owing to the relative absence of competition owing to product complexity and low volumes.

The Company currently has 25 molecules in this segment. Of these, patents for some molecules are yet to expire. Important molecules from a revenue perspective are Salmeterol, Dorzolamide, Paliperidone, Deferasirox, Donepezil and Brinzolamide. In this segment, the Company generally is one of only two suppliers and in some case only supplier, for customers.

Performance in 2018-19

Topline growth for the Company was largely driven by both the Prime and Specialty segments of the GDS vertical. In the Prime API segment, the growth was driven by almost all the products

which registered good volume growth. The Company was able to maintain its market share in Ciprofloxacin and grow Levetiracetam – its key products in the Prime segment.

Growth in the Specialty segment was primarily owing to robust volumes from three specific APIs – Deferasirox, Dorzolamide and Donepezil across multiple markets. Volumes for Salmeterol remained largely steady for most part of the year, with sales coming from Europe.

Despite the strong topline growth, profitability margins remained subdued. This was owing to the continuing overhang of the raw material prices (largely due to supply constraints from China as well as rising Crude oil prices) – a trend which started in the last quarter of 2017-18. This impacted almost all the products in the Prime segment.

As a mitigation strategy, the Company used intermediates for Dorzolamide and Mirtazapine from the new Unit III during the year in a phased manner. It

is also scaling up a key intermediate of Levetiracetam, a large volume product.

Key initiatives in 2018-19

- Undertook line balancing efforts in the pharma and synthesis areas which released capacities to accommodate additional volumes
- Shifted products between the operating facilities (matching equipment, expertise with customer requirement) – this facilitated in increasing man-machine utilization and timely product delivery to customers
- Started focused work to optimize costs in the areas of solvent recovery, product process improvements, plant efficiencies and fixed overheads
- Established a foothold in newer markets namely, Brazil, Mexico, China and Korea with a product basket of 10-11 molecules

Prospects for 2019-20

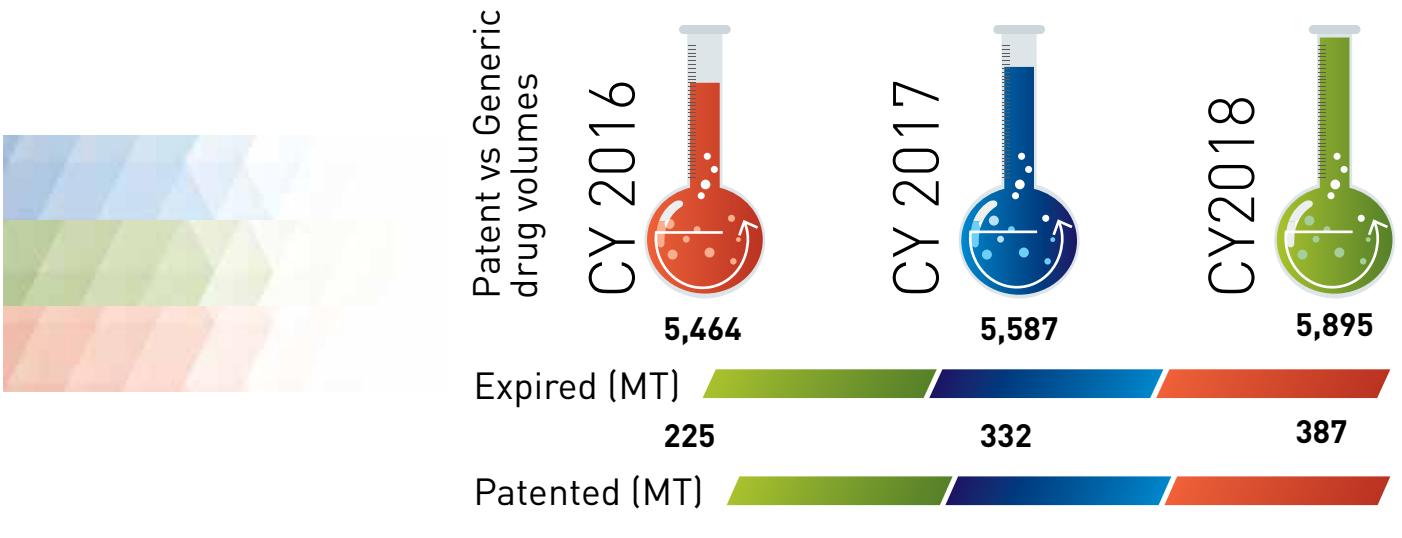
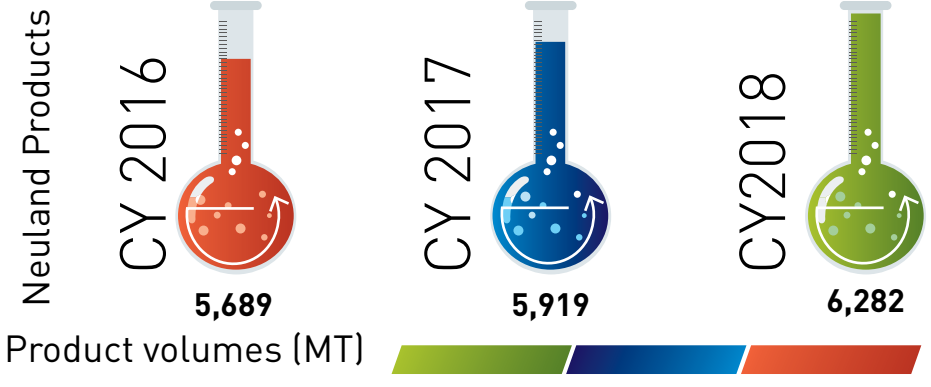
Increasing genericisation of molecules promise to open interesting opportunities for Neuland.

The Prime segment will continue to be a key revenue driver going forward; its profitability is expected to improve, for the following reasons:

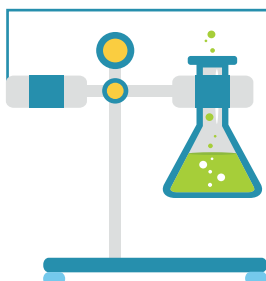
- Higher volumes
- Stabilising of the raw material prices and backward integration of few KSMs
- Continuing cost optimisation efforts especially in the areas of Solvent recovery and Product process
- Customers also believe in capability of the Company to deliver higher volumes on account of capacity available in recently acquired Unit 3

The Specialty segment should also witness healthy growth. The growth would be driven by an increase in volumes of existing products and development & launch quantities of new molecules.





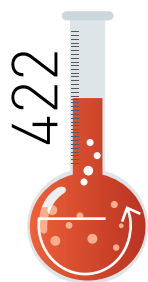
Source: IQVIA Midas, December 2018



Despite the spike in prices of raw materials and the supply chain disruption faced by the pharmaceutical industry across the globe, the Company met its commitment on customer orders.

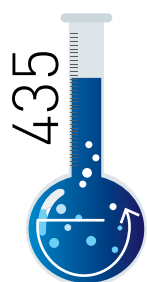


Revenue (₹ crore)



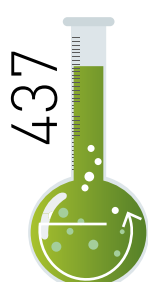
422

2014-15



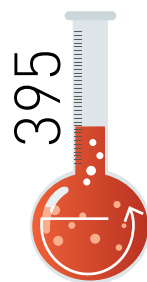
435

2015-16



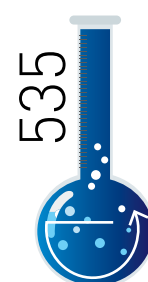
437

2016-17



395

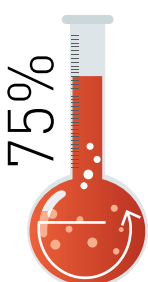
2017-18



535

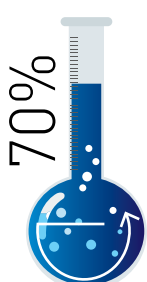
2018-19

Revenue from
Prime segment (%)



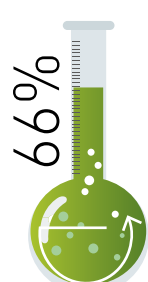
75%

2014-15



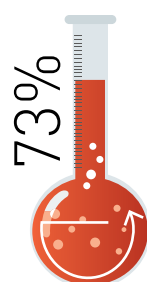
70%

2015-16



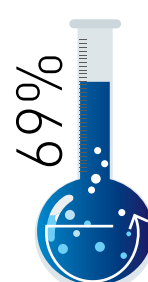
66%

2016-17



73%

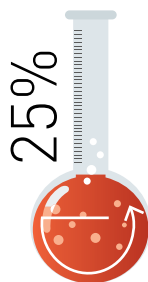
2017-18



69%

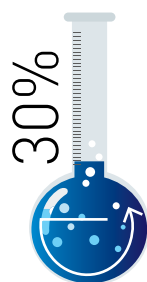
2018-19

Revenue from
Specialty segment (%)



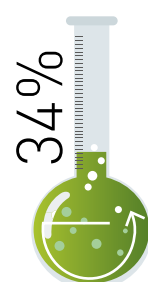
25%

2014-15



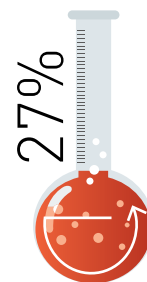
30%

2015-16



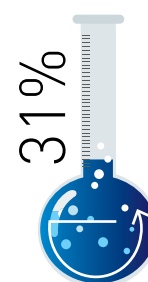
34%

2016-17



27%

2017-18



31%

2018-19

Custom manufacturing solutions

This vertical provides contract manufacturing solutions (CMS) to innovator pharma and biotech companies. It offers both small-scale clinical trial quantities and commercial-scale requirements. The facilities are equipped for Preclinical to Phase III through to commercial API manufacturing. The entire revenue from this segment is derived from regulated markets of the US, Europe and Japan. Strong chemistry skills and consistently compliant facilities have helped the Company grow its pipeline rapidly. The CMS business is in its nascent stage making the segment revenues volatile. However, we expect that as the revenues grow, the volatility in the business will reduce.

This revenue vertical comprises of two sub-segments:

I) R&D and Manufacturing: This segment comprises of 1) R&D related soft work and lab-scale work and 2) Manufacturing operations for molecules which are in the clinical pipeline.

While successful completion of these projects does not assure repetition (the innovator may drop the molecule from its NCE pipeline for various reasons), but it builds credibility in the global innovator community as a capable and dependable partner in any innovation journey. This credibility, over a period, will open the floodgates for more innovation-partnering projects.

II) Commercial manufacture:

This comprises manufacturing of intermediates/APIs for molecules which have been commercialized by customers. These are novel molecules (covered under patent protection) for which Neuland is the only or one of two approved suppliers – hence competition is limited. This provides stable revenue for the business. API/intermediate volumes increase as the approved formulation gains acceptance across the globe.

Performance in 2018-19

Despite the subdued performance for H1, the segment witnessed a healthy reversal in H2 - revenue decreased by -12% from ₹104.5 crore in 2017-18 to ₹91.3 crore in 2018-19.

In the development space, the number of projects has increased year-on-year – 40 as on March 31, 2018 to 56 as on March 31, 2019 - showcasing the growing confidence of global innovators on the Company's R&D capability and delivery. Moreover, late-stage projects have increased over the previous year which promises to improve business profitability as these are high-value research projects.

Revenue from commercial manufacturing was primarily driven by one of the three key Commercial APIs. Moreover, the Company added 16 products (4 APIs and 12 intermediates) to its basket during the year. This augurs well as its promises to increase volumes over the medium term and provides business stability.

CMS Dashboard

	Pre-clinical	P-1	P-2	P-3	Development	Commercial	Total
API	10 (7)	4 (2)	2 (3)	4 (4)	5 (5)	5 (5)	30 (26)
Intermediate	0 (1)	2 (1)	0 (0)	6 (7)	8 (0)	10 (5)	26 (14)
Total	10(8)	6 (3)	2 (3)	10 (11)	13 (5)	15 (10)	56 (40)

Figures in brackets pertain to the number of the corresponding date of the previous year



Initiatives in 2018-19

- Invested in a process safety lab with high end equipment which will trigger alarms when chemistry/process reach the outer tolerances
- Invested in HPLCs and other equipment to enhance the CMS team's capability to meet the increased inflow of projects

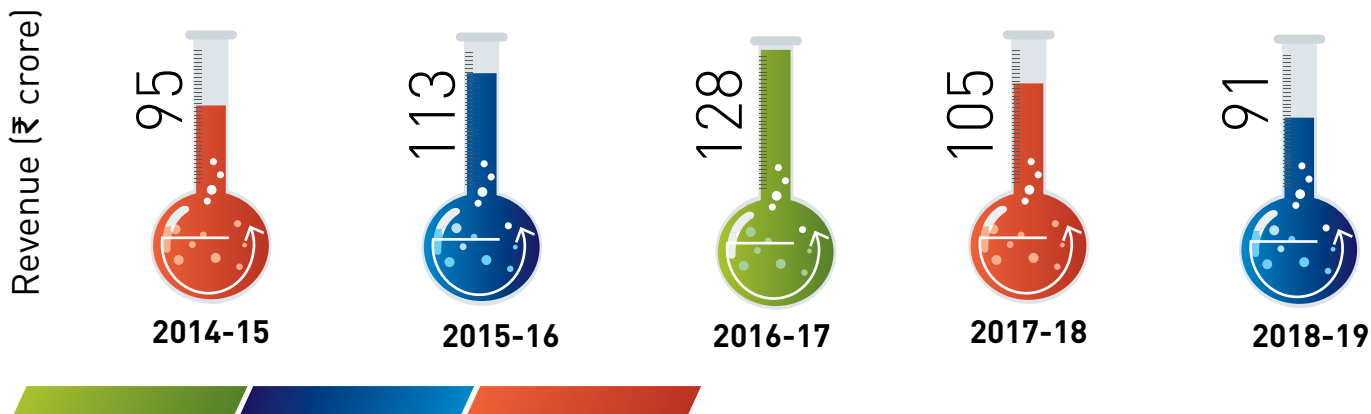
Prospects for 2019-20

The CMS is poised for healthy growth going forward. This optimism is based on the growing reputation of the Company as a reliable partner for global innovators evidenced by the increase in the number of projects in the last year. Customers

also believe in capability of the Company to deliver volumes on account of capacity available in recently acquired unit 3. This is showcased in increasing R&D projects being managed by the team; more pertinently late stage development projects which provides hope that there could be few commercial or near commercial opportunities in the pipeline.

For Commercial Manufacturing, business growth will continue to be driven by existing molecules in the short term. Volume growth could be driven by two factors 1) volume expansion by the innovator and 2) increase in the Company's wallet share compared to the other supplier.

For molecules which have been launched only recently (by the innovator company), there will be uncertainty in the ramp up which will also be reflected in the volumes for the Company in the short term; over the medium-term revenue growth would be heartening.



Intellectual capital

Neuland firmly believes that its intellectual capital plays a fundamental role in sustaining profitable business growth. In keeping with this conviction, the Company continues to invest in dedicated programs for its people to nurture skill and build capabilities that will help them in addressing current and future business needs. With an average age of 36 years, the 1,129 strong team (March 31, 2019) represents an invigorating combination of energy and experience.

During 2018-19, the Company worked on multiple initiatives to strengthen its people centric culture.

To add transparency to the annual performance management system, the HR team invested in an online solution which facilitated structured, objective and continuous feedback between senior and subordinate. This also simplified

and automated goal setting and goal management.

The company also focused on positioning the workforce and talent capabilities for growth by building robust processes for analysis and decision making with respect to manpower as well as organisational design. This included launching a framework for Talent Rating that maps the future potential of the workforce that is distinct from the annual performance rating process.

We continued to focus on increasing leverage of technology to improve efficiency in the company by launching web-based platforms in the cloud through SAP Success Factors

Going forward, the HR team will focus on succession planning and creating a leadership pipeline. In addition, the team

will work closely with the IT team for deploying IT based solutions for improving the working environment.

Intellectual property

- Received two patent awards (IP excellence of India-2018 & IP gems of India-2018) from De-Science for implementing best practices of IP in India.
- Secured seven granted patents (5 API process patents and 2 peptide technology related patents) in various geographies (Canada, India, Japan & Australia).
- Filed 20 patent applications of which 19 were in India and one in the US.



Research & Development

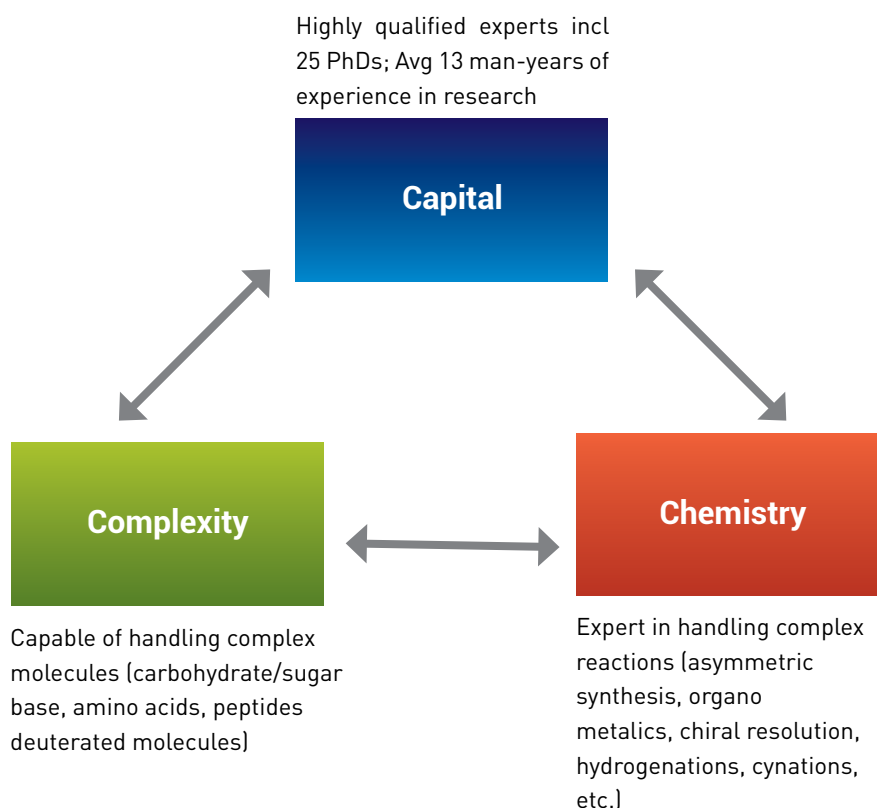
The R&D unit campus at Bonthapally is the innovation hub where the 200 member strong team of research scientists invest their energy in developing complex molecules (primarily those which are under patent protection) that would become future growth drivers for the Company.

This facility houses 12 chemical development laboratories and fully equipped analytical laboratories with modern analytical instruments including nuclear magnetic resonance (NMR), gas chromatography (GS), inductively coupled plasma mass spectrometry (ICPMS) and high-performance liquid chromatography (HPLC).

The team focuses its energies on certain specific areas for maximising returns from its patient and passionate efforts. They include:

- Development of non-infringing patentable processes for APIs across therapeutic categories
- Development of efficient and cost-effective processes to reduce total variable cost and cycle time for existing products
- Customer specific and exclusive contract research and process development for manufacture of APIs
- Custom synthesis and contract manufacturing
- Development of analytical methods, quality improvement and cost optimisation studies
- Creation of intellectual property and international regulatory filings
- Development of peptide APIs for GDS and CMS business

Strengths of the R&D Function



Key initiatives during 2018-19

- Initiated process improvements for important APIs for facilitating changes in raw material
- Undertook process alteration for improving the productivity for high-volume APIs
- Completed the validation for Sugammadex, a sugar-based compound which holds significant growth promise over the coming years; also completed the validation for Indacaterol
- Filed three DMFs worldwide during the year taking the total DMF count to 673 as on March 31, 2019
- Successfully developed 2 APIs which are to be launched over the coming years

Information technology

In today's era, information technology ceases to be a business enabler but has graduated into a business-critical imperative that connects dispersed operations, fosters transparency, speed,

accuracy and reliability. So it is with Neuland.

The Company's core business applications rest on the SAP platform. In addition, the

Company uses other software modules for specific operations which are integrated with SAP for seamless data capturing and analysis.

Health, Safety & Environment

The Company is committed to excellence in environment, health and safety (EHS). The management believes in the philosophy that an incident free workplace boosts employee morale and build employee confidence in and loyalty towards the corporate. The resultant peace of mind pushes every team member to strive harder for uplifting the organisation to the next growth orbit. At Neuland, EHS is an integral part of business and hence non-negotiable. In keeping with this belief, the Company continues to strengthen its commitment to people safety and environmental protection. The Company's protection cover extends to the work place and beyond – striving for a cleaner work place and a green environment - leading to a healthy mind and body.

Today, EHS being a key business stakeholder, the team undertakes a detailed analysis for every change in process or location for every product – their approval is mandatory for institutionalising the change. Further, the team undertakes regular training sessions for the shop floor team (own and casual workforce) to ensure person safety. There have been no major incidents/accidents in this financial year.

This year the company has taken few major initiatives which includes

- Establishing Corporate Guidelines in order to harmonise EHS procedures & practices across sites
- Evaluating EHS performance through regular assessments of compliance with internal guidelines/procedures
- Periodic EHS gap analysis & EHS audit by Cross Functional Team for continuous improvement

EHS stewardship as an integral part of everything the company does to run its business and the company continually evaluates EHS related aspects and risks

as part of organisational decision-making process. The EHS division has been set up at the units and at a corporate level. To address the EHS related concerns, your Company has formulated an EHS Policy, which is implemented in a continual and systematic manner through ISO 14001:2004 and BS OHSAS 18001:2007 management systems.

Hazard & Operability (HazOp) and Hazard Identification & Risk Assessment (HIRA) studies are carried out for processes and activities to minimise health and safety risks from such processes and operations, seek to identify means and ways to minimise resource consumptions and waste generations.





Internal controls

In an increasingly dynamic and competitive business landscape a robust internal control mechanism is an essential business imperative. For it is a critical element in ensuring that the organisation functions in an ethical manner, complies with all legal and regulatory requirements and meets the generally accepted principles of good corporate governance. It is an extension of the overall corporate risk management framework as well as an integral part of the accounting and financial reporting process.

Neuland's internal control mechanism aims to safeguard its assets as well as authorise, record and report all transactions correctly and on time.

These control processes facilitate in safeguarding the organisation's assets, preventing and detecting frauds and errors, ensuring accurate and complete accounting and timely preparation of

reliable financial information. The control mechanism ensures that the manual and automated processes for transaction approval and recording are adequately and effectively reviewed.

Moreover, it ensures compliance with various policies, practices and statutes in keeping with the organisation's growth and business complexity.

The internal control framework constantly monitors and assesses all aspects of risks associated with current activities and corporate profile, including scientific and development risks, partner interest risks, commercial and financial risks.

The Board of Directors have appointed internal auditors of repute, to perform periodic audits. The Internal auditors independently evaluate the adequacy of internal controls and simultaneously audit the transactions. Independence of

the audit and compliance is ensured by direct reporting of Internal auditors to the Audit Committee of the Board.

The Company has also instituted a legal compliance program, supported by a robust online system that covers the Company's manufacturing units as well. The purview of this system includes various statutes, such as industrial and labour laws, taxation laws, corporate and securities laws and health, safety and environment regulations.

The Audit Committee, consisting of Independent directors, reviews the adequacy and effectiveness of the Company's internal controls and is also periodically briefed on the corrective and preventive action taken to mitigate identified risks.

Analysis of Financial Statements

Statement of Profit & Loss

(₹ crore)

Particulars	FY 2018-19	FY 2017-18
Income	670.3	533.7
EBIDTA	61.4	54.6
Finance Cost	15.7	18.9
Profit Before Taxes	19.8	13.5
Profit After Taxes	16.1	11.8
Earnings per Share (₹)	12.83	10.59

Income

The company registered a topline of ₹670.3 crore compared to ₹533.7 crore, an increase of 25.6%.

EBIDTA

The company's EBIDTA stood at ₹61.4 crore as against ₹54.6 crore in the previous year, an increment of 12.4%.

Net Profit

During the year, the company registered Profit after tax of ₹16.1 crore compared to ₹11.8 crore of last year.

Balance Sheet

(₹ crore)

Particulars	FY 2018-19	FY 2017-18
Shareholder's funds	695.6	554.8
Borrowings		
Term Loans	81.5	119.4
Working Capital	149.1	199.2
Others	0.9	0.6
Fixed Assets	232.2	165.5
Goodwill	279.5	279.5
Investment Property	29.8	29.8
Net Working Capital	230.1	240.0
Cash and Bank Balances	37.3	17.1
Other Net Assets (Current and Non-Current)	24.1	28.5



I. Net Debt Tangible net worth Ratio:

Debt Equity Ratio decreased by 57% from 1.10 (FY 18) to 0.47 (FY 19).

On account of prepayment of Term Loans and reduction of Working Capital Borrowings. Equity has increased due to the QIP issue during the fiscal, which also impacted the ratio.

II. Current Ratio:

Current Ratio increased by 13% from 1.21 (FY 18) to 1.37 (FY 19).

III. Debtors Turnover Ratio:

Debtors Turnover Ratio increased by 48% from 2.75 (FY 18) to 4.09 (FY 19).

Increase in Revenue by ₹137 Cr and Decrease in Trade Receivables from ₹194 Cr to ₹164 Cr.

IV. Inventory Turnover Ratio:

Inventory Turnover Ratio increased by 14% from 3.05 (FY 18) to 3.48 (FY 19).

V. Net Profit Margin%:

Net Profit Margin for FY 19 is 2.4% (16 Cr's) with a growth of 9% when compared to FY 18 2.2% (11.8 Cr's).

VI. Operating Profit Margin:

Operating Profit Margin increased by 17% from 2.5% (FY 18) to 3.0% (FY 19).

VII. Interest Coverage ratio:

Interest Coverage ratio increased by 56% from 3.60 (FY18) to 5.61 (FY 19). Increase in EBITDA while Interest costs have gone down.

Managing business uncertainties

Neuland's integrated risk management approach, developed over the years, focuses on mitigating adverse impact of risks on its business objectives. The Company's risk management framework comprises a combination of centrally issued policies and divisionally evolved procedures which are regularly reviewed

for their alignment with sectoral dynamics and evolving trends.

Opportunity risk

Dwindling growth opportunities could impede the Company's growth prospects.

Mitigation: Increased consumption of medicines driven by increased focus on quality of healthcare and growing prevalence of lifestyle ailments is expected to drive the demand for APIs northward.

From a global perspective, majority of medicinal products manufactured in Europe and North America contain APIs and excipients manufactured in Asia - India being considered an important API supplier to these regulated markets.

From a domestic perspective, India is among the leading global manufacturers and exports of formulation to the world. The country's focus on minimising its external dependence promises to sustain growth over the coming years.

From a product basket perspective, there are more than 6,000 molecules in use in the pharmaceutical industry; Neuland's product basket consists of 75+ molecules. This showcases the sizeable growth potential for the Company over the coming years.

Patent expiry risk

Delay in patent expiry of APIs could impact the Company's product launches which could impact business progress.

Mitigation: Neuland has a product basket of 75 molecules that are generating healthy sales volumes. Moreover, it has a pipeline of 10 specialty molecules that are expected to be launched in a phased manner over the next 4-5 years; some molecules are not under patent protection owing to their complexity (technology and chemistry). Further, the CMS business is gaining traction which should help in sustaining business growth and profitability over the coming years.

Competition risk

Increasing competition from domestic and global API manufacturers could erode business profitability.

Mitigation: The Company has a three-pronged strategy which will help in strengthening business profitability over the medium term:

- Focus on cost optimisation for commercial molecules
- Create a strong pipeline of specialty products to be launched over the coming years – a large proportion of them being high-value, specialty molecules
- Strengthen the high-margin CMS business

Geographic concentration risk

Over dependence on any one geography for its business and/or profit could impact business growth over the medium term.

Mitigation: Neuland enjoys an expansive global footprint extending across more than 80 nations with no single country contributing more than 20% to the consolidated revenue. Going forward, increase in the CMS business will further dilute the Company's geographic dependence on any particular nation.

3

molecules in the pipeline where patent is expiring this year.

Regulatory risk

Non-compliance with the stringent and evolving regulatory framework of global nations could impact the Company's business adversely.

Mitigation: At Neuland, keeping abreast of and aligning with the progressing regulatory guidelines across regulatory and pharmerging is a work ethic which is deeply woven into the organisational fabric. This is reflected in important realities:

- Manufacturing facilities have successfully cleared multiple audits by leading global regulatory authorities without any major observation
- Revenue from regulated markets have increased significantly over the past five years
- Increase in CRAMS projects received by the Company from global innovator companies

Capacity risk

Inadequate manufacturing infrastructure could restrict the Company's ability in capitalising on emerging opportunities.

Mitigation: Having experienced capacity constrains in the past, Neuland has invested time, effort and resources in ensuring that the Company does not face capacity constraints in the foreseeable future through the following initiatives:

- Released capacity by accurately mapping products with equipment
- Increased capacity in existing units by investing equipment for capacity balancing
- Increased production capability by improving man-machine productivity
- Acquired a manufacturing unit which promises to fulfil the Company's capacity requirement for the next 3-5 years

Raw material risk

Non-availability of key inputs and intermediates could hamper promised delivered and could impact profitable business growth.

Mitigation: The supply chain disruption in key inputs and intermediates in 2018-19 owing to China's inability to supply material impacted business profitability. But it also prepared the Company to take effective steps to mitigate this risk although it takes time for making such a transformation. Towards this end, the Company implemented the following steps:

- Progressing on manufacturing a few KSMs (one which is required for a large volume product) at its newly acquired unit
- Diversified and expanded its vendor base to strengthen the sourcing base and optimise material costs

Funding risk

Cash constrains could restrict the Company's ability in making strategic investment for capitalising on emerging growth opportunities.

Mitigation: Neuland's strategic decisions have ensured organisational liquidity despite large investments in capacity creation and upgradation. The Company has managed its liquidity well. It has raised funds in the form of debt/equity at the desired times to ensure strength of its balance sheet.

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USFDA audits
successfully cleared
by the Company's
facilities

0.47

Net Debt to Tangible
Net Worth as on
March 31, 2019



Environment and Safety Risk

These are critical elements of sustainable operations.

Mitigation: We have a strong EHS (Environment, Health & Safety) team across all our facilities who facilitate a strong culture of compliance to environment and safety norms. We have a strong training program with emphasis on group discussions based on real life case studies. Moreover, we conduct independent third-party safety audits at our operating units. These initiatives help in minimizing the impact of this potential risk.

Product scaling risk

Issues in moving products from the lab scale to the plant could impact business growth.

Mitigation: To ensure that we mitigate the risk associated with scaling of new products, we have set up a Process Engineering and Process Safety lab in our R&D facility. These labs allow to undertake Quality by Design (Qbd) studies before finagling on the process. We are also investing in a pilot plant which will give the R&D team further ability to ensure scale-ups are First-time Right.

DIRECTORS' REPORT

The Board of Directors are pleased to present the Company's Thirty Fifth Annual Report along with the Company's audited financial statements (standalone and consolidated) for the financial year ended March 31, 2019.

Financial Performance

The Company's financial performance (standalone) for the year ended March 31, 2019, is summarised below:

(₹ in lacs)

Particulars	2018-19	2017-18
Total Income	67,032.11	53,369.60
Profit before Finance Costs, Depreciation, Amortisation and Tax	6,135.83	5,456.51
Finance costs	1,566.31	1,892.13
Profit before Depreciation, Amortisation and Tax	4,569.52	3,564.38
Less: Depreciation & Amortisation	2,586.02	2,210.35
Profit before Tax	1,983.50	1,354.03
Less: Current tax	544.35	422.92
Deferred tax	(175.19)	(249.70)
Profit after Tax	1,614.34	1,180.81
Add: Other comprehensive income	14.99	19.54
Total comprehensive income for the year	1,629.33	1,200.35

For the financial year ended March 31, 2019, a Total Income of ₹67,032.11 lacs as against ₹53,369.60 lacs in the previous year.

For the year ended on March 31, 2019, the Company has reported Earnings Before Interest, Finance Cost, Depreciation & Amortization and Tax (EBIDTA) of ₹6,135.83 lacs as against the EBIDTA of ₹5,456.51 lacs during the previous year.

The Net Profit of the Company for the year 2018-19 was ₹1,629.33 lacs compared to ₹1,200.35 lacs during the previous year.

Business Review

The fiscal year under review saw your Company register good growth on the top line driven primarily by the GDS (Generic Drug

Substances) business. However, the Company had to overcome challenges due to the raw material situation which led to escalating costs as well shortages of certain key intermediates. While this situation had a very significant impact on profitability, the company was able to maneuver the situation in its favor by ensuring customer requirements were met. Another factor which affected profitability was the subdued performance of the CMS business in first half of the financial year. However, the company has continued to add a number of new projects during the financial year and this bodes well for the future.

Dividend

Your Directors have recommended a final dividend of ₹1.20/- per equity share (12% dividend) to the members for their approval. The dividend, if approved, will be paid to members within the period stipulated by the Companies Act, 2013, as amended from time to time. The outflow on account of dividend (inclusive of tax on distributed profits) will be aggregating to ₹185.60 lacs.

Share Capital

During the year under review (a) 6,861,243 equity shares of ₹10/- each have been allotted to the shareholders of Neuland Health Sciences Private Limited (First Transferor Company) and Neuland Pharma Research Private Limited (Second Transferor Company) and 4,590,608 equity shares held by Neuland Health Sciences Private Limited in the Company before the amalgamation stand cancelled, pursuant to the approval of the Scheme of Amalgamation and Arrangement between the transferor companies and the Company, by the Hon'ble National Company Law Tribunal, Hyderabad Bench vide its Order dated March 21, 2018; and (b) 1,675,000 equity shares were issued and allotted under Qualified Institutional Placement (QIP). Accordingly, the issued and paid up capital of the Company as at March 31, 2019 stands at ₹1,290.05 lacs.

During the year under review, the Company has not issued any shares with differential voting rights nor granted stock options nor sweat equity.

Manufacturing Facility (Unit 3)

During the year under review, your Company has started commercialization of products (intermediate for captive consumption) from Block 1 of Unit III, manufacturing facility located at Gaddapotharam village, Jinnaram Mandal in Sanga Reddy District. It is a multi-product facility and has five production blocks for advance intermediate and API manufacturing.

Consolidated Financial Statements

The Audited Consolidated Financial Statements of your Company as on March 31, 2019, which forms part of the Annual Report, have been prepared 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:

- Unpaid dividend details as per Section 124(2)
- Corporate Social Responsibility Policy as per Section 135(4)(a)
- 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 SEBI (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

During the year under review, the following changes have taken place in the Board of Directors:

Pursuant to the approval accorded by the shareholders by means of Postal Ballot, the Company has:

- Re-appointed Dr Davuluri Rama Mohan Rao, as the Chairman & Managing Director of the Company for a further period of 5 years with effect from April 1, 2019.
- Appointed Mr. Homi Rustam Khusrokhhan, as a Non-Executive Independent Director of the Company for a period of five consecutive years with effect from February 12, 2019.
- Re-appointed Mr. Parampally Vasudeva Maiya, Mr. Humayun Dhanrajgir and Dr. William Gordon Mitchell as Non-Executive Independent Directors of the Company for a period of five consecutive years with effect from April 1, 2019 and Mrs. Bharati Rao as Non-Executive Independent Director of the Company for a period of five consecutive years from May 9, 2019.

In accordance with the provisions of Section 152 of the Companies Act, 2013, as amended from time to time, Dr Christopher M Cimarusti shall retire by rotation and being eligible offers himself for re-appointment.

Dr. Davuluri Rama Mohan Rao, Chairman & Managing Director, Mr. Davuluri Sucheth Rao, Vice Chairman & CEO, Mr. Davuluri Saharsh Rao, Joint Managing Director, Mr. Amit Agarwal, 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 2019-20 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, 2019, 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, 2019 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

- a. 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, five 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, 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 SEBI (LODR) 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 SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015, 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 12, 2019, 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 SEBI (Listing Obligations and Disclosure Requirements), 2015.

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 on 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

Pursuant to Section 178(3) of the Companies Act, 2013, and on recommendations of Nomination and Remuneration Committee, the Board adopted a remuneration policy for Directors, Key Management Personnel (KMPs) and Senior Management. Your Company's Policy on directors' appointment and remuneration includes criteria for determining qualifications, positive attributes, independence of a director and other matters provided under section 178(3) of the Act and the Policy is available on the website of the Company, www.neulandlabs.com.

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 Chairman & Managing Director 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 at 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 SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018, the Board of Directors have approved 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, effective April 1, 2019.

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 2018.

Employee Stock Option Scheme

As on March 31, 2019, no employee stock options are 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 ('the Regulations').

Statutory Auditors

In terms of Section 139 of the Companies Act, 2013 ("the Act"), and the Companies (Audit and Auditors) Rules, 2014, made thereunder, the term of the present Statutory Auditors of the Company, M/s. Walker Chandiok & Co LLP, Chartered Accountants (Registration No. 001076N/N500013), will be expiring at the conclusion of the 35th Annual General Meeting of the Company.

The Board of Directors had at its meeting held on May 16, 2019, upon the recommendation of Audit Committee have appointed of M/s MSKA & Associates (Firm Registration No: 105047W), Chartered Accountants, as the Statutory Auditors of the Company to hold office from the conclusion of the thirty fifth Annual General Meeting until the conclusion of the fortieth Annual General Meeting

M/s MSKA & Associates, Chartered Accountants, Hyderabad, have confirmed that the appointment, if made, would be within the prescribed limits under Section 141 of the Companies Act,

2013. Accordingly, the appointment of M/s MSKA & Associates, Chartered Accountants, Hyderabad, as the Statutory Auditors, is being proposed as an Ordinary Resolution.

The financial statements have been audited by M/s. Walker Chandiook & Co LLP, Chartered Accountants, Statutory Auditors of the Company. The Board would like to place on record its appreciation to M/s Walker Chandiook & Co LLP, Chartered Accountants, for giving their valuable insights and suggestions for the past five years, and also wishes them all success in their endeavours.

Auditors' Report

There are no qualifications, reservations or adverse remarks made by Walker Chandiook & Co LLP, Statutory Auditors, in their report for the financial year ended March 31, 2019.

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, Company Secretaries, to conduct the Secretarial Audit of the Company. The report on the Secretarial Audit for the financial year ended March 31, 2019 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 2019-20.

Insurance

Your Company has taken necessary steps to mitigate risks and obtained appropriate insurances and the Board is kept apprised 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 1.

Extract of Annual Return

Pursuant to Section 92(3) and Section 134(3)(a) of the Companies Act, 2013, as amended from time to time, extract of the Annual Return as on March 31, 2019 in form MGT-9 is enclosed as Annexure 2 to this report.

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 3 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. 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 No.38 to the standalone financial statement which sets out related party disclosures pursuant to Ind AS.

Particulars of Loans, Guarantees and Investments

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

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 include 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.

Corporate Social Responsibility

The Company has formulated a Corporate Social Responsibility Policy (CSR Policy) which is available on the website of the Company at www.neulandlabs.com. The Company has initiated CSR activities as per the CSR Policy and such activities are as per Schedule VII to the Companies Act, 2013, as amended from time to time. Annual report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been appended as Annexure 4 and forms an integral part of this Board's Report.

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, 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 on and behalf of the board

Hyderabad
May 16, 2019

Dr Davuluri Rama Mohan Rao
Chairman and Managing Director
(DIN: 00107737)

Annexure 1

FORM - A

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

A. Power & Fuel Consumption

	2018-19	2017-18
1. Electricity		
a. Purchased		
Unit in lacs (kWh)	258	239
Total Amount (₹ in lacs)	1,842	1,741
Rate/Unit (₹ /kWh)	7.14	7.28
b. Own generation (Unit in lacs) kWh	6.6	5.2
(Through Diesel Generator)		
Units per litre of Diesel Oil	3.00	3.00
Cost/Unit (₹/kWh)	24.19	20.95
2. Coal		
Quality "C" Grade used in Steam Boiler		
Quantity (Tonnes)	12,229	11,975
Total cost (₹ in lacs)	679	930
Average rate (₹ /Tonne)	5,832	7,764

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.

b. Benefits derived as a result of the above:

- i. The above research has resulted in commercializing/ scaling up of a number of products.
- ii. Life cycle management of the existing manufacturing processes for APIs (anti-hypertensive, anti-bacterial, anti-ulcer etc.) resulted in lower production costs, reduced cycle times, and customer retention.
- iii. Levitracetam: Developed the manufacturing process for the intermediate of Levitracetam as a part of back integration and freedom from dependency of external vendors. This back integration has enabled us to put our product across the globe at a very affordable and competitive price.
- iv. Completed the validation of Sugammadex
- v. During the financial year 2018-19, CMS division has worked on 31 projects. Most of the project deliverables are route feasibility / scouting / development / plant scale-ups for molecules which belong to different therapeutic categories (Anti-tuberculosis,

antihypertensives, anticonvulsant, analgesic, anticholelithogenic, schizophrenia, chronic obstructive pulmonary disease, treatment of amyotrophic lateral sclerosis (ALS) etc). This demonstrates the expertise that Neuland has that can handle variety of molecules of different therapeutic segments. Besides the above, a complex peptide projects like Plecanatide has been successfully completed and scaled up in the plant.

- vi. Received two patent awards (IP excellence of India-2018 & IP gems of India-2018) from De-Science for implementing best practices of IP in India.
- vii. During the financial year 2018-19, Neuland has secured 7 granted patents (5 API process patents and 2 peptide technology related patents) in various geographies (Canada, India, Japan & Australia)
- viii. Neuland has filed 20 patent applications of which 19 were in India and 1 in US for the FY 2018-19.

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 and development of cost-effective processes for the existing products.
- ii. Undertake more of custom manufacturing projects
- iii. Implementation of QBD during in process development
- iv. To file 8-10 DMFs/CEPs every year
- v. Identified 6 new products for development in 2019-20
- vi. Cost improvement in 8 products is planned to be taken up

d. Expenditure on R&D:

(₹ in lacs)

	2018-19	2017-18
Capital	485.97	366.43
Recurring	1,663.22	1,405.07
Total	2,149.19	1,771.50

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.
 - a. Technology imported : Nil
 - b. Year of import : Nil
 - c. Has technology fully been absorbed : Nil
 - d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of actions : Nil

Technology Transfer

The Process Engineering Lab (PE Lab) has the following capabilities:

For Process safety and Process optimization studies:

- Thermal screening unit
- Reaction calorimeter
- Parallel synthesizer

For Particle Engineering studies:

- Multimill
- Spray dryer
- Fluidized bed dryer

- Compaction (Available at U-2)
- Sono-crystallization (Tie-up with NIIT Warangal)
- Air Jet mill/ Micronizer (Fluid-Air & Nitrogen)
- With Oxygen content analyser & Alarm during Oxygen deficiency
- Stability data generation for micronized API Technology upgradation / Innovation / Patent filing
- Using same process improved and ensured the consistency in the bulk density in every batch of Labetelol.

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, 2019:

- a. Foreign exchange earned in terms of actual Inflows ₹48,349.19 lacs.
- b. Foreign exchange outgo in terms of actual Outflows ₹16,807.91 lacs.

Hyderabad
May 16, 2019

For on and behalf of the board

Dr Davuluri Rama Mohan Rao
Chairman and Managing Director
(DIN: 00107737)

Annexure 2

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2019

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

I. REGISTRATION AND OTHER DETAILS:

- a. CIN : L85195TG1984PLC004393
- b. Registration Date : 07.01.1984
- c. Name of the Company : Neuland Laboratories Limited
- d. Category / Sub-Category of the Company : Company limited by shares
- e. Address of the Registered office and contact details : Sanali Info Park, 'A' Block,
Ground floor, 8-2-120/113, Road No.2,
Banjara Hills, Hyderabad – 500 034.
Tel: 040 – 30211600
Fax: 040 – 30211602
E-mail: ir@neulandlabs.com
- f. Whether listed company : Yes
- g. Name, Address and Contact details of Registrar and Transfer Agent, if any : Karvy Fintech Private Limited
Karvy Selenium Tower B, Plot 31-32,
Gachibowli, Financial District,
Nanakramguda, Hyderabad – 500 032
Tel: 91 40 67162222
Fax: 91 40 23001153
email: einward.ris@karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

SI. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Manufacturing of Active Pharmaceutical Ingredients	21001	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Neuland Laboratories K.K., Japan	Not applicable	Subsidiary	100%	2(87)
2	Neuland Laboratories Inc., USA	Not applicable	Subsidiary	100%	2(87)

Note: During the year under review, the erstwhile Holding Company, Neuland Health Sciences Private Limited was amalgamated into the Company.

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of total Equity)

i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year [As on March 31, 2018]				No. of Shares held at the end of the year [As on March 31, 2019]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters / Promoter Group									
(1) Indian									
a) Individual/ HUF	940	0	940	0.01	4,606,184	0	4,606,184	35.90	35.89
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	4,590,608	0	4,590,608	51.67	0	0	0	0	(51.67)
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-Total A(1)	4,591,548	0	4,591,548	51.68	4,606,184	0	4,606,184	35.90	(15.78)
B. Foreign									
(a) NRI Individuals	200	0	200	0	200	0	200	0	0
(b) Other-Individuals	0	0	0	0	0	0	0	0	0
(c) Bodies Corporates	0	0	0	0	0	0	0	0	0
(d) Banks/FIs	0	0	0	0	0	0	0	0	0
(e) Any other	0	0	0	0	0	0	0	0	0
Sub-Total A(2)	200	0	200	0	200	0	200	0	0
Total shareholding of promoter (A) = (A)(1) + (A)(2)	4,591,748	0	4,591,748	51.68	4,606,384	0	4,606,384	35.90	(15.78)
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	438,945	400	439,345	4.95	502,859	400	503,259	3.92	(1.03)
b) Banks / FI	16,110	500	16,610	0.19	3,863	500	4,363	0.03	(0.16)
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	669,694	0	669,694	7.54	4,343,073	0	4,343,073	33.85	26.31
Sub-total (B)(1)	1,124,749	900	1,125,649	12.68	4,849,795	900	4,850,695	37.81	25.13
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	5,33,434	1,151	5,34,585	6.02	4,45,730	1,151	446,881	3.48	(2.54)
ii) Overseas	0	100	100	0	0	100	100	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	1,775,358	86,969	1,862,327	20.96	1,612,883	79,712	1,692,595	13.19	(7.77)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	555,093	30,280	585,373	6.59	839,813	30,280	870,093	6.78	0.19
c) Others (specify)	143,872	40,600	184,472	2.08	321,741	41,400	363,141	2.83	0.75
Sub-total (B)(2)	3,007,757	159,100	3,166,857	35.64	3,220,267	152,543	3,372,810	26.29	(9.35)
Total Public Shareholding (B)=(B)(1)+ (B)(2)	4,132,506	160,000	4,292,506	48.32	8,070,062	153,443	8,223,505	64.10	15.78
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	8,724,254	160,000	8,884,254	100.00	12,676,446	153,443	12,829,889	100.00	-

ii) Shareholding of Promoters / Promoter Group

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year i.e., March 31, 2018			Shareholding at the end of the year i.e., March 31, 2019			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Neuland Health Sciences Pvt. Ltd.	4,590,608	51.67	2.25	0	0	0	(51.67)
2	Dr. Davuluri Rama Mohan Rao	116	0.00	0.00	3,178,262	24.77	1.55	24.77
3	Mrs. Davuluri Vijaya Rao	116	0.00	0.00	613,338	4.78	0.00	4.78
4	Mr. Davuluri Sucheth Rao	116	0.00	0.00	320,022	2.49	0.00	2.49
5	Mr. Davuluri Saharsh Rao	116	0.00	0.00	243,587	1.90	0.00	1.90
6	Mrs. Davuluri Rohini Niveditha Rao	116	0.00	0.00	163,414	1.27	0.00	1.27
7	Mr. Gannabathula Venkata Krishna Rama Rao	120	0.00	0.00	45,467	0.35	0.00	0.35
8	Mrs. Gannabathula Subbayamma	120	0.00	0.00	5,184	0.04	0.00	0.04
9	Mr. Gannabathula Veeravenkata Satyanarayanamurthy	120	0.00	0.00	30,501	0.24	0.00	0.25
10	Mrs. Gannabathula Umabala	0	0.00	0.00	6,409	0.05	0.00	0.05
11	Mr. Velugubanti S Prasadarao	100	0.00	0.00	100	0.00	0.00	0.00
12	Mr. Suryanarayana M Siram	100	0.00	0.00	100	0.00	0.00	0.00
	Total	4,591,748	51.68	2.25	4,606,384	35.90	1.55	35.90

iii) Change in Promoter / Promoter Group Shareholding

Sl. No.	Shareholder's Name	Shareholding		Change in shareholding during the year			Cumulative Shareholding during the year (01.04.2018 to 31.03.2019)	
		No. of Shares at the beginning (01.04.2018 / end of the year (31.03.2019)	% of total shares of the Company	Date	Increase/Decrease in shareholding	Reason	No. of Shares	% of total Shares of the company
1	Neuland Health Sciences Pvt. Ltd.	4,590,608	51.67	Apr 1, 2018				
		0	0.00	Mar 31, 2019	4,590,608	Cancellation of shares on account of Scheme of Merger/ Amalgamation	0	0.00
2	Dr. Davuluri Rama Mohan Rao	116	0.00	Apr 1, 2018				
		3,178,262	24.77	Mar 31, 2019	31,78,146	Merger allotment	3,178,262	24.77
3	Mrs. Davuluri Vijaya Rao	116	0.00	Apr 1, 2018				
		613,338	4.78	Mar 31, 2019	6,13,222	Merger allotment	613,338	4.78
4	Mr. Davuluri Sucheth Rao	116	0.00	Apr 1, 2018				
		320,022	2.49	Mar 31, 2019	3,19,906	Merger allotment	320,022	2.49
5	Mr. Davuluri Saharsh Rao	116	0.00	Apr 1, 2018				
		243,587	1.90	Mar 31, 2019	2,43,471	Merger allotment	243,587	1.90
6	Mrs. Davuluri Rohini Niveditha Rao	116	0.00	Apr 1, 2018				
		163,414	1.27	Mar 31, 2019	1,63,298	Merger allotment	163,414	1.27
7	Mr. Gannabathula Venkata Krishna Rama Rao	120	0.00	Apr 1, 2018				
		45,467	0.35	Mar 31, 2019	45,347	Merger allotment	45,467	0.35
8	Mrs. Gannabathula Subbayamma	120	0.00	Apr 1, 2018				
				Apr 30, 2018	22,190	Merger Allotment	22,310	0.17
				Jan 9, 2019	500	Transfer	21,810	0.16
				Jan 10, 2019	316	Transfer	21,494	0.16
				Jan 11, 2019	500	Transfer	20,994	0.16
				Jan 14, 2019	1	Transfer	20,993	0.16
				Jan 15, 2019	59	Transfer	20,934	0.16
				Jan 18, 2019	250	Transfer	20,684	0.16
				Jan 21, 2019	500	Transfer	20,184	0.15
				Jan 25, 2019	15,500	Transfer	4,684	0.03
				Jan 30, 2019	446	Purchase	5,130	0.03
				Jan 31, 2019	54	Purchase	5,184	0.04
				Mar 31, 2019			5,184	0.04
9	Mr. Gannabathula Veeravenkata Satyanarayanamurthy	120	0.00	Apr 1, 2018				
				Apr 30, 2018	31,381	Merger allotment	31,501	0.24
				Feb 20, 2019	1,000	Sale of shares	30,501	0.24
		30,501	0.24	Mar 31, 2019			30,501	0.24
10	Mrs. Gannabathula Umabala	0	0.00	Apr 1, 2018				
		6,409	0.05	Mar 31, 2019	6,409	Merger allotment	6,409	0.05
11	Mr. Velugubanti S Prasadarao	100	0.00	Apr 1, 2018				
		100	0.00	Mar 31, 2019		No change during the year		0.00
12	Mr. Suryanarayana M Siram	100	0.00	Apr 1, 2018				
		100	0.00	Mar 31, 2019		No change during the year		0.00
	Total	4,591,748	51.68				4,606,384	35.90

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

Sl. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year i.e., March 31, 2018		Change in shareholding during the year		Shareholding at the end of the year i.e., March 31, 2019	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Malabar India Fund Limited	217,911	2.45	1,059,185	7.50	1,277,096	9.95
2	Steadview Capital Mauritius Limited	0	0.00	1,270,159	9.90	1,270,159	9.90
3	Malabar Value Fund	79,941	0.90	487,897	3.53	567,838	4.43
4	ABG Capital	0	0.00	475,898	3.71	475,898	3.71
5	LTR Focus Fund	0	0.00	265,334	2.06	265,344	2.06
6	Rohinton Soli Screwala	44,741	0.50	245,344	1.76	290,085	2.26
7	SBI Healthcare Opportunities Fund	0	0.00	260,000	2.03	260,000	2.03
8	ICICI Prudential Pharma Healthcare and Diagnostic Fund	0	0.00	242,859	1.89	242,859	1.89
9	ICG Q Limited	148,000	1.67	0	0.00	148,000	1.15
10	Infina Finance Private Limited	117,175	1.32	29,771	(0.17)	146,946	1.15

Note:The above details are given as on March 31, 2019. The Company is listed, and 98.80% shareholding is in dematerialized form. Hence, it is not feasible to track movement of shares on daily basis. Further, Company has not allotted/transferred or issued any bonus or sweat equity shares during the year.

Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Name	Shareholding at the beginning of the year i.e., March 31, 2018		Shareholding at the end of the year i.e., March 31, 2019		% change in shareholding during the year
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company	
A. DIRECTORS						
1	Dr. Davuluri Rama Mohan Rao	116	0.00	3,178,262	24.77	24.77
2	Mr. Davuluri Sucheth Rao	116	0.00	320,022	2.49	2.49
3	Mr. Davuluri Saharsh Rao	116	0.00	243,587	1.90	1.90
4	Mr. Humayun Dhanrajgir	3,286	0.03	3,286	0.03	0.00
5	Mr. Parampally Vasudeva Maiya	2,000	0.02	2,000	0.02	0.00
6	Mrs. Bharati Rao	0	0.00	0	0.00	0.00
7	Dr. Nirmala Murthy	0	0.00	0	0.00	0.00
8	Dr. Christopher M Cimarusti	0	0.00	0	0.00	0.00
9	Dr. William Gordon Mitchell	0	0.00	0	0.00	0.00
10	Mr. Homi Rustam Khusrokhhan	-	-	0	0.00	0.00
B KEY MANAGERIAL PERSONNEL (KMPs other than MD/WTD)						
1	Mr. Amit Agarwal Chief Financial Officer	0	0.00	0	0.00	0.00
2	Ms. Sarada Bhamidipati Company Secretary & Compliance Officer	0	0.00	0	0.00	0.00

INDEBTEDNESS

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

(₹ in lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	31,920.48	-	-	31,920.48
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	4.84	-	-	4.84
Total (i+ii+iii)	31,925.32	-	-	31,925.32
Change in Indebtedness during the financial year				
- Addition (Net)	1,303.57	-	-	1,303.57
- Reduction (Net)	(10,077.96)	-	-	(10,077.96)
Net Change	(8,774.39)	-	-	(8,774.39)
Indebtedness at the end of the financial year				
i) Principal Amount	23,146.09	-	-	23,146.09
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	29.01	-	-	29.01
Total (i+ii+iii)	23,175.10	-	-	23,175.10

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount (in ₹ lacs)
		Dr Davuluri Rama Mohan Rao	Mr. Davuluri Sucheth Rao	Mr. Davuluri Saharsh Rao	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	104.00	98.18	98.18	300.36
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	16.00	15.03	15.03	46.06
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission				
	- as % of profit	-	-	-	-
	- others, specify	-	-	-	-
5	Others- Provident Fund	12.48	11.79	11.79	36.06
	Total (A)	132.48	125.00	125.00	382.48*
	Ceiling as per the Act		240.34		

***Note:** Remuneration paid to the Chairman & Managing Director and the Whole-Time Directors is within the limits of Minimum Remuneration, approved by the shareholders at the AGM held on August 10, 2018, pursuant to Sec.197 read with Schedule V of the Companies Act, 2013.

B. Remuneration to Other Directors:

SN.	Particulars of Remuneration	Name of Directors							Total Amount (in ₹ lacs)
		Mr P V Maiya	Mr Humayun Dhanrajgir	Mrs Bharati Rao	Dr Nirmala Murthy	Dr Will Mitchell	Dr.Christopher M Cimarusti	Mr Homi Rustam Khusrokhhan	
1	Independent Directors								
	Fee for attending board committee meetings	6.10	4.00	5.30	5.10	2.20	-	0.50	23.20
	Commission	2.50	2.50	2.50	2.50	2.50	-	-	12.50
	Others, please specify	-	-	-	-	-	-	-	-
	Total (1)	8.60	6.50	7.80	7.60	4.70	-	0.50	35.70
2	Other Non-Executive Directors								
	Fee for attending board committee meetings	-	-	-	-	-	2.50	-	2.50
	Commission	-	-	-	-	-	2.50	-	2.50
	Others, please specify	-	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	5.00	-	5.00
	Total (B)=(1+2)	8.60	6.50	7.80	7.60	4.70	5.00	-	40.70
	Total Managerial Remuneration(A+B)								423.18**
	Overall Ceiling as per the Act					264.38			

****Note:** Total remuneration to Chairman & Managing Director, Whole-Time Directors and other Directors (including Sitting fees of ₹25.70 lacs and payment of Minimum Remuneration)

C. Remuneration to key managerial personnel other than MD/Manager/WTD

SI. No.	Particulars of Remuneration	Key Managerial Personnel*		₹ lacs
		Chief Financial Officer	Company Secretary	
1.	Gross salary			
a.	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	131.46	22.69	154.15
b.	Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
c.	Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- others	-	-	--
5.	Others: Provident Fund	3.78	0.85	4.63
	Total (A)	135.24	23.54	158.78
	Ceiling as per the Act		N.A.	

* Other Key Managerial Personnel information included in Table A above.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
Company, Directors & Other Officers in Default					
Penalty					
Punishment			NIL		
Compounding					

Annexure 3

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/decrease in remuneration over previous year
Dr. Davuluri Rama Mohan Rao (Chairman & Managing Director)	29.64	120.80
Mr. Davuluri Sucheth Rao (Vice-Chairman & CEO)	27.96	150.00
Mr. Davuluri Saharsh Rao (Joint Managing Director)	27.96	150.00
Mr. Humayun Dhanrajgir (Non-Executive Director)	1.45	(30.85) ¹
Mr. Parampally Vasudeva Maiya (Non-Executive Director)	1.92	(6.52) ¹
Dr. William Gordon Mitchell (Non-Executive Director)	1.05	(20.24) ¹
Dr. Christopher M. Cimarusti (Non-Executive Director)	1.12	(12.28)
Mrs. Bharati Rao (Non-Executive Director)	1.74	1.30 ¹
Dr. Nirmala Murthy (Non-Executive Director)	1.70	(3.80) ¹
Mr. Homi Rustam Khusrokhani ² (Non-Executive Director)	NA	NA
Mr. Amit Agarwal ³ (Chief Financial Officer)	30.26	NA
Ms. Sarada Bhamidipati (Company Secretary & Compliance Officer)	5.27	11.20

¹Increase / decrease in the remuneration paid to non-executive directors, if any, reflects increase / decrease in sitting fees paid due to the number of meetings held and attended as compared to previous year.

²Appointed on February 12, 2019.

³Appointed on November 22, 2017 and hence percentage increase /decrease in remuneration is not comparable.

- ii. the median remuneration of the employees has increased by 7%.
- iii. The number of permanent employees on the rolls of company as on March 31, 2019 was 1,129.
- 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 4

Annual Report on CSR Activities

I. 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.

II. The composition of CSR Committee of the Board

Mr. Humayun Dhanrajgir	Chairman
Mr. Davuluri Sucheth Rao	Member
Mr. Davuluri Saharsh Rao	Member
Dr. Davuluri Rama Mohan Rao	Member
Dr. Nirmala Murthy	Member

III. Average Net Profit of the Company for the last three financial years: ₹3,493.95 lacs

IV. Prescribed CSR Expenditure (2% of the amount as in item 3 above): ₹69.87 lacs

V. Details of CSR Spent during the financial year

(a) Total amount to be spent for the financial year: ₹69.87 lacs

(b) Amount unspent, if any: ₹67.87 lacs

(c) Manner in which the amount spent during the financial year is detailed below:

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads 1. Direct Expenditure on projects or programs 2. Overheads:	Cumulative expenditure upto the reporting period (₹ lacs)	Amount Spent: Direct or through implementing agency
1.	Contribution towards construction of Water Tank in Jinnaram village	Village Development	Local area - Sangareddy District, Telangana	2.00	Direct Expenditure	2.00	Direct Expenditure on the project
Total				2.00		2.00	

VI. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report:

The Company has formed a Trust in the name of "Neuland Foundation" to carry out the CSR activities envisaged by the Company. The objective of the Trust is to identify initiatives that would support the Company's CSR Policy such as promoting education by way of building schools and running them and village development and ensure that the CSR budget is spent in accordance with the Company's CSR Policy and Section 135 of the Companies Act, 2013. The Company is endeavoured to ensure full utilization of the allocated CSR budget and would be spending the required CSR amounts through the Trust.

VII. The CSR Committee hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Signing on behalf of the Committee and the Company

Humayun Dhanrajgir
Chairman of CSR Committee
(DIN:00004006)

Dr Davuluri Rama Mohan Rao
Chairman & Managing Director
(DIN:00107737)

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, 2019, 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	Amount (₹ Lacs)
Mrs. Vijaya Rao	Relative of KMP	5 years from July 1, 2014 – Ongoing	Refer Note 1	68.28
Dr. Christopher M Cimarusti	Non-Executive Non-Independent Director (Office of place of profit)	5 years from May 20, 2016 - Ongoing	Refer Note 2	29.02

Note 1: The Company had entered into three separate Lease agreements with Mrs. Vijaya Rao on July 1, 2014. 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 date of the agreements, subject to an annual increase by 5%.

Note 2: Dr. Christopher M Cimarusti has been paid Consultancy fee of USD 2,000 per day for each day spent at the Company's facilities. These payments were made in accordance with the approval of the shareholders in the Annual General Meeting held on August 12, 2016.

For on and behalf of the board

Dr Davuluri Rama Mohan Rao
Chairman and Managing Director
(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. It is based on principles such as conducting the business with integrity and fairness, being transparent regarding all transactions, making 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 strives 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 established 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 that we have their trust and commitment. We will strive to create the same kind of transparency in all our stakeholder relationships.

2. Board of Directors

As at March 31, 2019, 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 women. 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

The table on the next page provides the information on the Board of Directors required under Regulation 17 of the Listing Regulations, as at March 31, 2019:

Category	Name of the Directors	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
Promoter Directors	Dr. Davuluri Rama Mohan Rao ¹ DIN : 00107737	1	1. Neuland Laboratories Limited (Executive Director)	-	-	5	Yes
	Mr. Davuluri Sucheth Rao ¹ DIN : 00108880	1	1. Neuland Laboratories Limited (Executive Director)	-	-	5	Yes
	Mr. Davuluri Saharsh Rao ¹ DIN : 02753145	-	1. Neuland Laboratories Limited (Executive Director)	-	-	5	Yes
Non-Executive Director	Dr. Christopher M. Cimarusti DIN : 02872948	-	1. Neuland Laboratories Limited (Non-Executive Non-Independent Director)	-	-	5	No
Independent Non-Executive Directors	Mr. Humayun Dhanrajgir DIN: 00004006	7	1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Themis Medicare Limited (Non-Executive Independent Director) 3. Cadila Healthcare Limited (Non-Executive Independent Director)	5	1	4	No
	Mr. Parampally Vasudeva Maiya DIN: 00195847	2	1. Neuland Laboratories Limited (Non-Executive Independent Director)	2	1	5	Yes
	Dr. William G. Mitchell DIN: 02222567	-	1. Neuland Laboratories Limited (Non-Executive Independent Director)	-	-	4	No
	Mrs. Bharati Rao DIN: 01892516	8	1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Carborundum Universal Limited (Non-Executive Independent Director) 3. Cholamandalam Investment & Finance Company Limited (Non-Executive Independent Director) 4. Can Fin Homes Limited (Non-Executive Independent Director)	9	1	5	No

Table contd. to next page

Category	Name of the Directors	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. Nirmala Murthy DIN: 00734866	-	1. Neuland Laboratories Limited (Non-Executive Independent Director)	-	-	5	Yes
	Mr. Homi Rustam Khusrokhan [^] DIN:00005085	4	1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Strides Pharma Science Limited (Non-Executive Independent Director)	2	-	1	No

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.

[^] Mr. Homi Rustam Khusrokhan was appointed as an Independent Director with effect from February 12, 2019.

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 SEBI Listing Regulations, 2015,

as amended from time to time, and are independent of the management.

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).

During the year, the Company organized a visit for the Directors to the manufacturing facility of the Company situated at Gaddapotharam Village (Unit 3) in Sanga Reddy District,

Telangana, for a better understanding of the facility and familiarization with its operations. Mr. Homi Rustam Khusrokhani, Independent Director, visited the manufacturing facilities of the Company for an overview of the operations of the Units.

Codes / Policies

The Company has adopted various codes and policies 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

Board Meetings held during the financial year ended March 31, 2019

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year, the Board met five times on April 9, 2018, May 11, 2018, August 10, 2018, November 2, 2018, and February 12, 2019. 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 SEBI Listing 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 12, 2019, 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.

Skills of Directors

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 objectives of the skills matrix adopted by the Board are to:

- Identify the skills, knowledge, experience and capabilities that are considered to be desired of the Board as a whole, in order for the Board to fulfil its role and in light of the Company's strategic direction;
- Ascertain the current skills, knowledge, experience and capabilities of the Board, and provide the incumbent Directors with an opportunity to reflect upon and discuss the current composition of the Board; and
- Identify any gaps in skills or competencies that can be addressed in future Director appointments.

Your Board considers the following key skills set out in the matrix collectively, which it considered to be desired of the Board of Neuland:

Board skills and experience

- 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;

The current composition of your Company's Board includes directors with core industry experience and has all the key skills and experience set out above. There are further disclosures in the directors' biographies on pages 8 to 10 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.

3. 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 ("the Act") and Regulation 18 of Listing Regulations, 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; and
- 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 such as 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.

The Audit Committee comprises of five 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 10, 2018, August 9, 2018, November 1, 2018 and February 12, 2019.

Name of Member	Meetings attended
Mr. Parampally Vasudeva Maiya, Chairman	4
Mr. Humayun Dhanrajgir, Member	2
Mrs. Bharati Rao, Member	4
Mr. Davuluri Sucheth Rao, Member	4
Dr. Nirmala Murthy, Member	4

Mr. Homi Rustam Khusrokhani has been appointed as a Member of the Committee in the Board Meeting held on February 12, 2019.

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 Chairman & Managing Director, Whole-time Directors, the Statutory Auditor, the Internal Auditor, Chief Financial Officer and the Assistant Company Secretary 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 Act and Regulation 19 of Listing Regulations, 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 11, 2018, August 10, 2018 and February 12, 2019.

Name of Director	Meetings attended
Mr. Parampally Vasudeva Maiya, Chairman	3
Mr. Humayun Dhanrajgir, Member	3
Mrs. Bharati Rao, Member	3

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 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 to the Directors for the financial year ended March 31, 2019.

(Amount in ₹ lacs)

Name of Director	Salary	Perquisites and other benefits ¹	Commission ²	Sitting fee	Total
Dr. Davuluri Rama Mohan Rao ⁴	103.99	28.49	-	N.A	132.48
Mr. Davuluri Sucheth Rao ⁴	98.18	26.82	-	N.A	125.00
Mr. Davuluri Saharsh Rao ⁴	98.18	26.82	-	N.A	125.00
Mr. Humayun Dhanrajgir	-	-	2.50	4.00	6.50
Mr. Parampally Vasudeva Maiya	-	-	2.50	6.10	8.60
Mrs. Bharati Rao	-	-	2.50	5.30	7.80
Dr. Nirmala Murthy	-	-	2.50	5.10	7.60
Dr. William G. Mitchell	-	-	2.50	2.20	4.70
Dr. Christopher M. Cimarusti	-	-	2.50	2.50	5.00 ³
Mr. Homi Rustom Khusrokhani ⁵	-	-	-	0.50	0.50

¹ Perquisites and other benefits include Provident Fund.

² Represents commission for the year ended March 31, 2019, which will be paid, subject to deduction of tax after adoption of the accounts and necessary approvals at the AGM.

³ In addition to the above, Dr. Christopher M Cimarusti has been paid consultancy fee of USD 2,000 (net of taxes) per day for each day spent at the Company's facilities aggregating to USD 42,000, in accordance with the approval of the shareholders in the Annual General Meeting held on August 12, 2016.

⁴ Tenure of office of the Chairman & Managing Director and 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.

⁵ Mr. Homi Rustom Khusrokhani was appointed as an Independent Director with effect from February 12, 2019.

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

During the financial year 2018-19, 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 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, 2019

Name	No. of shares
Dr. Davuluri Rama Mohan Rao	31,78,262
Mr. Davuluri Sucheth Rao	3,20,022
Mr. Davuluri Saharsh Rao	2,43,587
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 2018-19, the Committee met four times on May 10, 2018, August 9, 2018, November 1, 2018 and February 12, 2019.

Composition and Attendance

Name of Director	Meetings attended
Mr. Parampally Vasudeva Maiya, Chairman	4
Dr. Davuluri Rama Mohan Rao, Member	4
Mr. Davuluri Sucheth Rao, Member	4

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 eight complaints from the shareholders/Stock Exchange which inter alia, non-receipt of dividend warrants and Share Certificates during the financial year 2018-19. 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, 2019. 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 Act 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 met twice on May 10, 2018 and November 1, 2018.

4. General Body Meetings

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

Year	Date	Day	Time	Venue
2016	August 12, 2016	Friday	2.30 p.m.	Grand Ball Room, Taj Krishna, Hyderabad
2017	December 28, 2017	Thursday	2.30 p.m.	Grand Ball Room, Taj Krishna, Hyderabad
2018	August 10, 2018	Friday	2.30 p.m.	Grand Ball Room, Taj Krishna, Hyderabad

Composition and Attendance

Name of Director	Meetings attended
Mr. Humayun Dhanrajgir, Chairman	1
Dr. Davuluri Rama Mohan Rao, Member	2
Mr. Davuluri Sucheth Rao, Member	2
Mr. Davuluri Saharsh Rao, Member	2
Dr. Nirmala Murthy, Member	2

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. No meeting of the Finance Committee was held during the financial year 2018-19.

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

f. Committee of Directors

The Board constituted a Committee of Directors for dealing with Qualified Institutional Placement (QIP) for the purpose of framing up, administer, control, finalise the terms and conditions for the issue, its opening and closing and allotment of shares to Qualified Institutional Buyers (QIBs) comprising Mr. Parampally Vasudeva Maiya, Mrs. Bharati Rao, Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao as the members the Committee.

During the year under review, the Committee met five times, on May 17, 2018 (twice), May 18, 2018, May 23, 2018 and May 24, 2018 and except Mr. Davuluri Saharsh Rao, who attended one meeting, all the other members attended all the meetings.

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 SEBI Listing Regulations, 2015. She acts as the Secretary to all the mandatory sub-committees of the Board.

Special Resolutions passed at the last three AGMs

Year	2015-16	2016-2017	2017-18
Item	a. Re-designation of Mr. Davuluri Sucheth Rao, Whole Time Director & CEO as "Vice-Chairman & CEO"	NIL	a. Payment of minimum remuneration to Dr. Davuluri Rama Mohan Rao
	b. Re-designation of Mr. Davuluri Saharsh Rao, Whole Time Director as "Joint Managing Director"		b. Payment of minimum remuneration to Mr. Davuluri Sucheth Rao
	c. Payment of Professional fee to Dr. Christopher M Cimarusti, Non-Executive Director		c. Payment of minimum remuneration to Mr. Davuluri Saharsh Rao
			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

Extra ordinary General meeting details are given herein below:

Year	Date	Day	Time	Venue
2018	May 11, 2018	Friday	2.30 p.m.	Grand Ball room, Taj Krishna, Hyderabad

Special Resolutions passed at the EGM

Year	2018-19
Item	1. Approval of Issuance of equity shares of up to 16,75,000 through Qualified Institutions placement
	2. Approval of Increase in Foreign Portfolio Investors placement limits in the Company to 40% from the current 24%

5. Postal Ballot

During the year under review, approval of the shareholders was sought for the resolutions set out hereunder were passed as Special Resolutions by way of postal ballot / electronic voting ("e-voting") in pursuance to Section 108 and other applicable provisions of the Act read together with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended from time to time.

1. Re-appointment of Dr. Davuluri Rama Mohan Rao as Chairman & Managing Director of the Company for a period of five years with effect from April 1, 2019
2. Re-appointment of Mr. Parampally Vasudeva Maiya as an Independent Director of the Company for a period of five years with effect from April 1, 2019
3. Re-appointment of Mr. Humayun Dhanrajgir as an Independent Director of the Company for a period of five years with effect from April 1, 2019
4. Re-appointment of Dr. William Gordon Mitchell as an

Independent Director of the Company for a period of five years with effect from April 1, 2019

5. Re-appointment of Mrs. Bharati Rao as an Independent Director of the Company for a period of five years with effect from May 9, 2019
6. Continuation of Dr. Christopher M Cimarusti as Director of the Company
7. Appointment of Mr. Homi Rustam Khusrokhani as an Independent Director of the Company for five years with effect from February 12, 2019

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. The voting results of the Postal Ballot were declared on March 25, 2019. The details of voting on both Postal Ballot process are as under:

The voting result of the Postal Ballot is 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	6,289,830	6,288,639	99.98	1,089	0.02	102	0.00
2	6,289,830	6,028,952	99.85	260,776	4.15	102	0.00
3	6,289,830	6,028,952	99.85	260,776	4.15	102	0.00
4	6,289,830	6,028,952	99.85	260,776	4.15	102	0.00
5	6,289,830	6,263,888	99.59	25,840	0.41	102	0.00
6	6,289,830	6,288,951	99.99	777	0.01	102	0.00
7	6,289,830	6,288,952	99.99	776	0.01	102	0.00

Postal Ballot Procedure

In accordance with Section 108 and 110 of the Companies Act, 2013 read with other related rules, the Company provides electronic voting (“e-voting”) facility to the members. Karvy Fintech Private Limited (“Karvy”) has been engaged by the Company for the purpose of providing e-voting facility to the members. The members have an option to vote either by physical ballot or through e-voting.

Postal ballot notice is sent to the shareholders along with prepaid Business reply envelope (BRE) to its members whose name appears on the register of members/ list of beneficial owners as on a cut-off date. The notice is also sent in an electronic form to the registered e-mail ids with their Depository Participants (in case of electronic shareholding)/ the Company’s Register Share Transfer Agents (RTA) (in case of physical shareholding). An advertisement containing the particulars of completion of dispatch of notices and other requirements as required under the Act and applicable rules, is published by the Company.

Voting rights are reckoned on the paid-up value of shares registered in the names of the members as on the cut-off date. Members who are desirous to vote through physical ballot are requested to return the forms, duly completed and signed in the prepaid BRE to the scrutinizer on or before the close of the voting period. Members desirous to vote through e-voting are requested to vote before the closing hours of the last day of e-voting.

Upon completion of the scrutiny, the scrutinizer submits his / her report to the Chairman and the consolidated results of the voting of Postal Ballot are announced by the Chairman/ Authorized officer. The results are displayed on the Company’s website (www.neulandlabs.com) and further intimated to the Stock Exchanges, Depositories and Registrar and Share Transfer agents, as may be required. The resolutions shall be deemed to be passed on the last date specified for receipt of duly completed Postal Ballot form or e-voting.

Remote E-voting and Ballot voting at the AGM

The Company has arranged for remote electronic voting (e-voting) and ballot voting facility to allow the shareholders to vote on the resolutions proposed at the Annual General Meeting. The Company has engaged Karvy Fintech Private Limited (“Karvy”) for the purpose of providing e-voting facility to the members. Members whose name appear on the register of members/ list of beneficial owners as on June 28, 2019, shall be eligible for the purpose of e-voting.

The facility for ballot voting will be made available at the AGM venue and the members desirous to cast their vote through ballot form can cast their vote at the AGM.

6. Information in respect of Directors seeking appointment / re-appointment as required under SEBI (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	Strategic Planning Committee, Member
List of directorships, Committee Chairmanship and membership held in other companies as on May 16, 2019	-Taxis Pharmaceuticals -Neuland Laboratories, Inc
Number of shares held in the Company as on May 16, 2019	Nil

7. Disclosure

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. 38 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 adopted 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, 2019. A certificate from the Chairman & Managing Director to this effect is attached to this Report.

f. Allotment of shares

During the year under review, the Company has allotted 6,861,243 equity shares of face value of ₹10/- each to the shareholders of Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") and 45,90,608 equity shares held by NHSPL in the Company before the amalgamation stand cancelled, pursuant to the approval of the Scheme of Amalgamation and Arrangement between NHSPL, NPRPL and the Company by the Hon'ble National Company Law Tribunal, Hyderabad Bench vide its Order dated March 28, 2018, the Company has allotted 6,861,243 Equity Shares of face value of ₹10/- each to the shareholders of NHSPL and NPRPL and 45,90,608 Equity Shares held by NHSPL in the Company before the amalgamation stand cancelled.

During the year under review, the Company has allotted 1,675,000 equity shares of ₹10 each at a premium of ₹740.00 per share through Qualified Institutional Placement in

accordance with provisions of Chapter VIII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, pursuant to the approval accorded by the shareholders in the extra-ordinary general meeting on May 11, 2018.

g. Accounting treatment

The Financial Statement of the Company have been prepared in accordance with the Indian Accounting Standard (Ind AS), notified under the Companies (Indian Accounting Standard) Rules, 2015 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 Act.

Dr. Christopher M Cimarusti has been paid Consultancy fee of USD 2,000 per day for each day spent at the Company's facilities aggregating to USD 42,000, in accordance with the approval of the shareholders in the Annual General Meeting held on August 12, 2016. 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 amendments to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, your Company has modified its Insider Trading Policy Code and effective April 1, 2019, the 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 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 2018.

k. Compliance on Corporate Governance

Your Company submits compliance report on Corporate Governance to both the stock exchanges (NSE and BSE) on quarterly, half-yearly and annual basis within the prescribed time-limits. These reports are also placed before the respective Board Meetings. Pursuant to the Listing Regulations, 2015, 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 Listing Regulations, the Board reviews the Management's perception of the risks facing the Company and measures taken to minimise the same.

m. The Chairman and Managing Director and the Chief Financial Officer have submitted a Certificate to the Board in the prescribed format for the financial year ended March 31, 2019, pursuant to Regulation 17(8) of the Listing Regulations. 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 annexed to this Report.

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 Listing Regulations, 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 be indirectly subject to 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 weekly basis.

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

s. Statutory Auditor's Fees/Compensation for FY 2018-19

The total fees paid by the Company to the Statutory Auditors for FY 2018-19 is set out in Note No. 28 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 under Regulation 27 of the SEBI Listing Regulations, 2015.

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

8. 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 to the Audit Committee and Board Meetings annually.

9. 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

10. General Shareholders Information

Annual General Meeting

Date, Time and Venue	5 July, 2019 at 10.00 a.m. At Grand Ball Room, Hotel Taj Krishna, Hyderabad
Financial Year	April to March
Dividend Payment Date:	On or before July 19, 2019, if declared at Annual General Meeting on 5 July, 2019

Financial Calendar

Adoption of Quarterly results for the quarter ending	Tentative Dates
June 30, 2019	August, 2019
September 30, 2019	November, 2019
December 31, 2019	February, 2020
March 31, 2020	May, 2020

Share price movements 2018-19

	Month	BSE Limited ₹			National Stock Exchange of India Limited ₹			
		High	Low	Closing	High	Low	Closing	
2018	April	787.60	700.00	710.95	717.95	704.15	710.30	
	May	827.80	689.50	712.70	734.00	705.60	707.90	
	June	744.00	610.00	642.30	657.70	630.00	640.40	
	July	730.00	555.00	696.15	702.75	674.40	691.30	
	August	797.90	655.00	778.10	800.00	721.50	772.50	
	September	819.00	658.00	673.75	719.00	675.00	686.30	
	October	683.00	550.00	577.80	584.00	560.00	569.60	
	November	594.00	476.00	479.10	509.40	475.20	479.25	
	December	489.95	431.45	459.00	461.90	455.60	485.35	
	2019	January	574.85	456.95	528.75	581.40	509.00	532.50
		February	824.55	475.70	764.75	808.90	746.15	762.75
		March	803.00	590.05	674.35	676.80	624.80	676.80

Date of Book Closure

June 29, 2019 to July 5, 2019 (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 2019-20.

BSE Limited (BSE)

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.

National Stock Exchange of India Limited (NSE)

Exchange Plaza, Bandra Kurla Complex,

Bandra (E), Mumbai 400 001.

Stock Code

524558 on BSE and NEULANLAB 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.

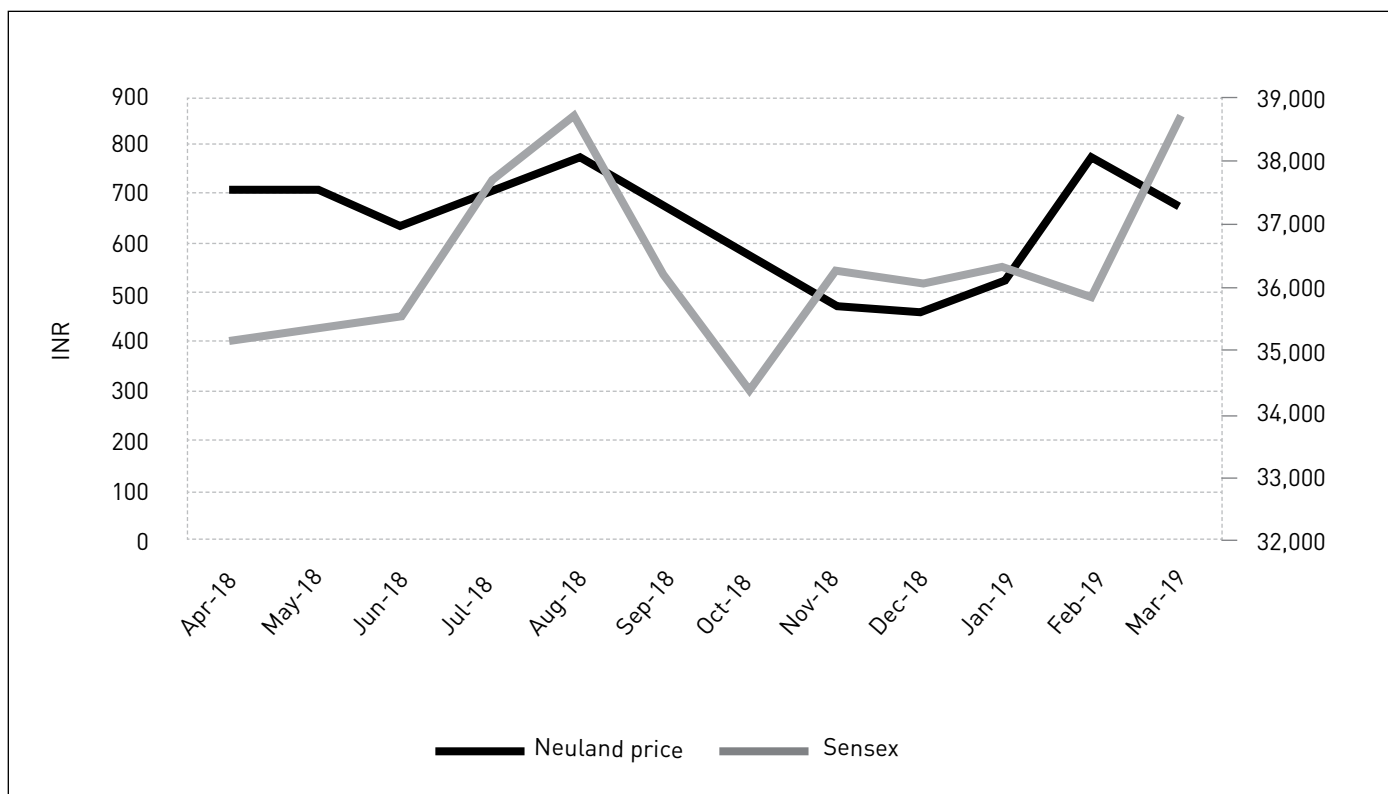
Demat International Securities Identification Number (ISIN) in NSDL & CDSL

INE794A01010

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.

Neuland share price and Sensex movement



Registrar and Transfer Agents

Karvy Fintech Private Limited
 Karvy Selenium Tower B, Plot 31-32,
 Gachibowli, Financial District,
 Nanakramguda, Hyderabad – 500 032.
 Tel: +91 40 6716 2222
 Toll Free No.: 1-800-3454001
 Email: einward.ris@karvy.com

Share Transfer System

Share transfers are processed by the Registrar and Transfer Agents and are approved by the Chairman and Managing Director. There is no set frequency of the Share Transfer Committee meetings and transfers are approved as and when received.

Details of Unclaimed Securities Suspense Account

In accordance with the requirement of Regulation 34(3) and Schedule V Part F of SEBI Listing Regulations, the Company reports the following details in respect of equity shares lying in the suspense account which were issued in dematerialized 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, 2019	9	1,000

The voting rights on the shares outstanding in the suspense account as on March 31, 2019 shall remain frozen till the rightful owner of such shares claims the shares.

Dematerialisation of shares

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, 2019, the total shares dematerialized were 12,677,146 in both depositories accounting for 98.80% of the share capital of the Company.

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, 2019

No. of shareholders	No. of Shareholders	% of shareholders	Total no. of shares	% of holding
1 - 5,000	10,343	92.75	833,926	6.50
5,001 - 10,000	372	3.34	277,752	2.16
10,001 - 20,000	212	1.90	307,479	2.40
20,001 - 30,000	61	0.55	153,938	1.20
30,001 - 40,000	44	0.39	156,822	1.22
40,001 - 50,000	16	0.14	73,588	0.57
50,001 - 100,000	44	0.39	320,366	2.50
100,001 & Above	60	0.54	10,706,018	83.45
Total	11,152	100.00	12,829,889	100.00

Shareholding Pattern as on March 31, 2019

Category of shareholder	No. of Shareholders	% to total shareholders	No. of shares held	% of Shareholding
Promoters and Promoter Group*	11	0.09	46,06,384	35.90
FIs/Banks/MFs/Others	407	3.64	13,62,864	10.62
Bodies Corporate	310	2.77	4,46,881	3.48
Residential Individuals	10,171	91.20	24,47,276	19.08
NRIs/OCBs/ FIIs/ FB	253	2.26	39,66,484	30.92
Total	11,152	100.00	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, Telangana	Survey No 10, 10F/A/1, 10F/A/2, 10F/A/3 situated at Gaddapotharam Village, Jinnaram, Sangareddy District, Telangana	Survey No.488G & 489A, Veerabhadra Swamy temple Road, Bonthapally Village, Jinnaram, Sangareddy District 502313, Telangana

Service of documents through Electronic Mode

The Notice, along with the Report and Accounts, has been sent in electronic mode to those Shareholders who have registered their e-mail addresses with the Company or with the Depositories and in physical mode to the other Shareholders. 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.

Dematerialization mandatory for effecting share transfers

SEBI has vide proviso to Regulation 40(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandated that requests for effecting transfer of securities

shall not be processed unless the securities are held in the dematerialized form with a depository. 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 SEBI to open a demat account and follow the procedure for share transfers.

Remittance of Dividend through Electronic Mode

The Company provides the facility for remittance of dividend 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 SEBI (Listing

Obligations and Disclosure Requirements) Regulations, 2015 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 Karvy Fintech Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032. Tel: +91 40 6716 2222 Toll Free No.: 1-800-3454001 Email: einward.ris@karvy.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.

Phone : +91 40 30211600

Fax : +91 40 30211602

e-mail : ir@neulandlabs.com

iii. For investor grievance

e-mail : ir@neulandlabs.com

CMD / CFO CERTIFICATION

We, Davuluri Rama Mohan Rao, Chairman & Managing Director and Amit Agarwal, Chief Financial Officer, to the best of my knowledge and belief, certify that:

- a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31 March 2019 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**

Sd/-

Dr. Davuluri Rama Mohan Rao
Chairman & Managing Director

Hyderabad
May 16, 2019

For **Neuland Laboratories Limited**

Sd/-

Amit Agarwal
Chief Financial Officer

DECLARATION

As provided under Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the stock exchanges, 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, 2019.

For on and behalf of the board

Hyderabad
May 16, 2019

Dr. Davuluri Rama Mohan Rao
Chairman and Managing Director

PRACTICING COMPANY SECRETARY CERTIFICATE

UNDER SCHEDULE V(C)(10)(I) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To
The Members of
M/s. Neuland Laboratories Limited

We, P.S. Rao & Associates, Practicing Company Secretaries, have examined the Company and Registrar of Companies records, books and papers of NEULAND LABORATORIES LIMITED (CIN: L85195TG1984PLC004393) having its Registered Office at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No 2, Banjara Hills, Hyderabad-500034, Telangana, India (the Company) as required to be maintained under the Companies Act, 2013, SEBI Regulations, other applicable rules and regulations made thereunder for the Financial Year ended on March 31, 2019.

In our opinion and to the best of our information and according to the examinations carried out by us and explanations and representation furnished to us by the Company, its officers and agents, we certify that none of the following Directors of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by the SEBI/Ministry of Corporate Affairs or any such statutory authority as on March 31, 2019:

S. No.	Name of the Director	Designation	Director Identification Number
1.	Dr. Davuluri Rama Mohan Rao	Chairman & Managing Director	00107737
2.	Mr. Davuluri Sucheth Rao	Vice Chairman & Chief Executive officer	00108880
3.	Mr. Davuluri Saharsh Rao	Joint Managing Director	02753145
4.	Mr. Humayun Dhanrajgir	Non-Executive Independent Director	00004006
5.	Mr. Parampally Vasudeva Maiya	Non-Executive Independent Director	00195847
6.	Dr. William Gordon Mitchell	Non-Executive Independent Director	02222567
7.	Dr. Christopher M. Cimarusti	Non-Executive Director	02872948
8.	Mrs. Bharati Manohar Rao	Non-Executive Independent Director	01892516
9.	Dr. Nirmala Srinivasa Murthy	Non-Executive Independent Director	00734866
10.	Mr. Homi Rustam Khusrokhani	Non-Executive Independent Director	00005085

For **P. S. RAO & ASSOCIATES**

Place: Hyderabad
Date: May 16, 2019

P. S. Rao
ACS No: 9769
CP No: 3829

PRACTICING COMPANY SECRETARY CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
M/s. Neuland Laboratories Limited

We have examined the compliance of conditions of Corporate Governance by M/s. Neuland Laboratories Limited ('the Company'), for the financial year ended March 31, 2019 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 the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 and the representations made by the Directors and the management, 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**

Place: Hyderabad
Date: May 16, 2019

P. S. Rao
ACS No: 9769
CP No: 3829

SECRETARIAL AUDIT REPORT

[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 31/03/2019)

To

The Members,

NEULAND LABORATORIES LIMITED,

Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113,

Road No. 2, Banjara Hills,

Hyderabad – 500034.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by NEULAND LABORATORIES LIMITED (here in after 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 NEULAND LABORATORIES LIMITED books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2019 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 filed and other records maintained by the Company for the financial year ended on 31st March, 2019 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 there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

The Reserve Bank of India is yet to allot the Unique Identification Numbers for the Overseas Direct Investment made by the Company in the Neuland Laboratories K.K.,

Japan (value of investment: ₹15.37 Lakhs) and Neuland Laboratories Inc., USA (value of investment ₹0.45 Lakhs) due to which the filing of the Annual Performance Reports for the respective investments is delayed. However, the Company has obtained the approvals from the Reserve Bank of India for the aforementioned investments.

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, 2009;
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2015 (Not Applicable to the Company during the Audit Period);
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company during the Audit Period);
- (f) The Securities and Exchange Board of India (Registrars to 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);

- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the Audit Period);and
- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (iv) The Company has complied in general with other Laws, rules and regulations and the below mentioned specific laws to the extent applicable 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 following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India to the extent applicable;
- (ii) The Listing Agreements entered into by the Company with National Stock Exchange of India Limited and BSE Limited;

During the period under review, except for the reported observation, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, Listing Agreements, 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. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice 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.
- Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

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.

We further report that

During the audit period,

- a. The Company has allotted 68,61,243 Equity Shares of ₹10/- each to the shareholders of Neuland Health Sciences Private Limited (NHSPL) (the Holding Company) and Neuland Pharma Research Private Limited (NPRPL) (the Fellow Subsidiary Company) in the ratio of 552 Equity Shares of the Company for every 1,000 Equity Shares NHSPL of ₹100/- each and 410 Equity Shares of the Company for every 100 Equity Shares of NPRPL of ₹10/- each and 45,90,608 Equity Shares held by NHSPL in the Company before the amalgamation stand cancelled pursuant to the scheme of Arrangement and Amalgamation under Sections 230 to 232 read with Section 66 of the Companies Act, 2013 between the Company and Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited and their respective Shareholders And Creditors.
- b. The Company has issued and allotted 16,75,000 equity shares of ₹10/- each at a premium of ₹740/- to Qualified Institutional Buyers in compliance with the provisions of the Companies Act, 2013 and SEBI (ICDR) Regulations.

However, there were no other specific major events that took place during the audit period such as mentioned below:

- (i) Redemption / buy-back of securities.

- (ii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013.
- (iii) Merger / amalgamation / reconstruction, etc.
- (iv) Foreign technical collaborations

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

For **P. S. RAO & ASSOCIATES**

Place: Hyderabad
Date: May 16, 2019

P. S. Rao
ACS No: 9769
CP No: 3829

'ANNEXURE A'

To
The Members,
NEULAND LABORATORIES LIMITED,
Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113,
Road No. 2, Banjara Hills,
Hyderabad – 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**

Place: Hyderabad
Date: May 16, 2019

P. S. Rao
ACS No: 9769
CP No: 3829

SECRETARIAL COMPLIANCE REPORT OF NEULAND LABORATORIES LIMITED

For the year ended March 31, 2019

We, M/s. P.S. Rao & Associates, Practicing Company Secretaries have examined:

- (a) all the documents and records made available to us and explanation provided by Neuland Laboratories Limited,
- (b) the filings/ submissions made by the listed entity to the stock exchanges,
- (c) website of the listed entity,
- (d) other document/ filing, as may be relevant, which has been relied upon to make this certification,

for the year ended 31/03/2019 in respect of compliance with the provisions of:

- (a) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
- (b) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include:-

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (Not Applicable);
- (e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (Not Applicable);
- (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable);
- (g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013 (Not Applicable);
- (h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and based on the above examination, we hereby report that, during the Review Period
 - (a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder.
 - (b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder insofar as it appears from our examination of those records.
 - (c) No actions were taken against the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder.
 - (d) The listed entity has taken the following actions to comply with the observations made in previous reports: (Not Applicable)

For **P. S. RAO & ASSOCIATES**

Place: Hyderabad
Date: May 16, 2019

P. S. Rao
ACS No: 9769
CP No: 3829



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Neuland Laboratories Limited

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of Neuland Laboratories Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. 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 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs (financial position) of the Company as at March 31, 2019, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules 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

4. 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of goodwill</p> <p><i>Refer note 2(ii)(g) for the accounting policy and note 37 for the financial disclosures in the standalone financial statements.</i></p> <p>As at March 31, 2019, the Company's assets include goodwill aggregating to ₹27,946.10 lacs, in accordance with the Scheme of Amalgamation and Arrangement, on account of acquisition of businesses of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited which were engaged in the business of peptides and contract research services respectively.</p> <p>Goodwill is carried at cost and is tested for impairment, if any, in accordance with Ind AS 36 "Impairment of Assets". As at March 31, 2019, the management has assessed that the value of goodwill will be recovered through future cash flows from the acquired businesses. However, there is potentially a risk that the goodwill will be impaired if the projected cash flows are not met.</p> <p>The impairment review performed by the Company, based on the projected future cash flow, involves use of various significant judgements and estimates such as revenue growth, profit margins, terminal values and the discount rate. Changes in these assumptions could lead to an impairment to the carrying value of goodwill.</p> <p>We identified this as key audit matter for current year audit owing to the materiality of the amounts involved and inherent subjectivity involved in the determination of recoverable value through estimation of future cash flows.</p>	<p>Our audit procedures in relation to testing of impairment of goodwill, included, but were not limited to the following:</p> <ul style="list-style-type: none"> Assessed and tested the design and operating effectiveness of the Company's controls over recognition of impairment assessment process. Obtained the impairment analyses and tested the appropriateness of the impairment model and reasonableness of the key assumptions used, including earnings before interest depreciation and amortization, terminal value, selection of discount rate and benchmarking the market-related assumptions used against the external data with the help of valuation experts; Challenged the judgements exercised by the management in respect of the above key assumptions based on our knowledge of the industry and market factors; Compared the prior year budgets with the actual results to determine the efficacy of the management's budgeting process. Further, compared the cash flow forecasts to the latest budgets approved by the Board of Directors; Obtained and evaluated sensitivity analysis performed by the management on aforesaid key assumptions and performed further independent sensitivity analysis to determine impact of estimation uncertainty on the carrying value; and Assessed the appropriateness and adequacy of the related disclosures in the financial statements in accordance with the applicable accounting standards.
<p>Recoverability of Minimum Alternate Tax (MAT) credit asset</p> <p><i>Refer to note 2(ii)(q) for the accounting policy and note 18 for the financial disclosures in the standalone financial statements.</i></p> <p>As at March 31, 2019, the Company has recognized deferred tax asset in the nature of MAT credit aggregating to ₹2,672.26 lacs.</p> <p>Recognition of MAT credit asset requires significant judgement regarding the likelihood of its realization with-in the utilization period through estimate of future taxable profits of the Company and consequently there is a risk that the MAT credit asset may not be realised within the utilization period, if these projections are not met.</p> <p>Management's assessment of recoverability of the MAT credit asset requires estimation of future taxable profits as per the prevalent provisions under the Income Tax Act, 1961 ("IT Act") which involves key assumptions such as revenue growth, profit margins, tax adjustments. These future taxable profits are computed based on the business plan prepared by the management and projected post-tax cash flows of the Company.</p> <p>We identified this as key audit matter for current year audit owing to the materiality of the amounts involved and inherent subjectivity involved in the determination of utilization of MAT credit through estimation of future taxable profits.</p>	<p>Our audit procedures in relation to assessment of MAT credit recognised as at reporting date, included, but were not limited to the following:</p> <ul style="list-style-type: none"> Assessed and tested the design and operating effectiveness of the Company's controls over recognition of the MAT credit. Obtained the Company's analyses for MAT credit realisability involving future projections of taxable profits and tested the reasonableness of the key assumptions used, including growth in profit, gross margins and tax adjustments; Challenged the judgements exercised by the management in respect of the above key assumptions based on our knowledge of the industry; Compared the prior year expected tax profits with the actual results to determine the efficacy of the management's budgeting process; Tested the appropriateness of the forecasted tax liability computation as per the provisions of the IT Act, including assessment of the eligibility of various tax exemptions availed and MAT liability computation as per Section 115JB of the IT Act; Obtained and evaluated sensitivity analysis performed by the management on aforesaid key assumptions and performed further independent sensitivity analysis to determine impact of estimation uncertainty on the future taxable profits; and Assessed the appropriateness and adequacy of the related disclosures in the financial statements in accordance with the applicable accounting standards.

Information other than the Financial Statements and Auditor's Report thereon

6. 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 financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained 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

7. 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 state of affairs (financial position), profit or loss (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 Ind AS 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for explaining our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. 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.
13. 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.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Report on Other Legal and Regulatory Requirements

15. As required by section 197(16) of the Act, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.
16. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
17. Further to our comments in Annexure I, 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 purpose 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 standalone financial statements dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under section 133 of the Act;
 - e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of section 164(2) of the Act;
 - f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated May 16, 2019 as per Annexure II expressed unmodified opinion;
 - 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company, as detailed in note 40 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at March 31, 2019;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at March 31, 2019;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2019; and
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from November 8, 2016 to December 30, 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

Place: Hyderabad

Date: May 16, 2019

Annexure I to the Independent Auditor's Report

of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended March 31, 2019

Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (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 explanation given to us, are under dispute pending with Honorable High Court of Telangana as to the ownership of the property, as stated in note 40(h) to the financial statements.

(₹ in lacs)

Nature of property	Whether leasehold /freehold	Gross block as on March 31, 2019	Net block on March 31, 2019	Remarks
Land	Freehold	3.30	3.30	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 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) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit. No material discrepancies were noticed on the aforesaid verification.

- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has complied with the provisions of Section 186 in respect of investments. 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.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, goods and service tax, duty of customs, duty of excise, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) The dues outstanding in respect of sales-tax, service-tax, value added tax, duty of customs on account of disputes, are as follows:

Name of the statute	Nature of dues	Amount (₹ in lacs)		Period to which the amount relates	Forum where dispute is pending
		Total Claim	Amount paid under protest		
Finance Act, 1994	Service tax	119.32	55.45	2009-15	Hon'ble High Court of Telangana
		5.70	-	2004-05 to 2008-09	CESTAT, Bangalore
Income Tax Act, 1961	Income Tax	18.13	-	AY 1998-99	Hon'ble High Court of Telangana
		81.64	-	AY 2001-02	
		14.52	-	AY 2002-03	
		693.33	-	AY 2004-05	
		19.01	3.81	AY 2012-13	
		1,357.45	273.49	AY 2012-13 to 2018-19	
		96.27	0.82	AY 2016-17	

- (viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or bank during the year. 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 moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.
- (x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid / provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the standalone financial statements etc., as required by the applicable Ind AS.
- (xiv) During the year, the Company has made private placement of shares. In respect of the same, in our opinion, the company has complied with the requirement of Section 42 of the Act and the Rules framed thereunder. Further, in our opinion, the amounts so raised were applied for the purposes for which these securities were issued, though idle funds which were not required for immediate utilisation have been invested in liquid investments, payable on demand. During the year, the company did not make preferential allotment/private placement of fully/partly convertible debentures.

- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act. Accordingly, the provisions of clause 3(xv) of the order are not applicable.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

Place: Hyderabad

Date: May 16, 2019

Annexure II to the Independent Auditor's Report

of even date to the members of Neuland Laboratories Limited, on the standalone financial statements for the year ended March 31, 2019

Annexure II

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

1. In conjunction with our audit of the standalone financial statements of Neuland Laboratories Limited ('the Company') as at and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The

procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

Place: Hyderabad

Date: May 16, 2019

STANDALONE BALANCE SHEET as at March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

	Notes	As at March 31, 2019	As at March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	23,040.62	16,376.23
Capital work in progress		10,447.37	12,609.45
Investment property	35	2,981.39	2,981.39
Goodwill	37	27,946.10	27,946.10
Other intangible assets	4	180.70	178.44
Financial assets			
(i) Investments	5	55.74	55.84
(ii) Loans	6	309.68	302.26
Non-current tax assets		888.02	931.56
Other non-current assets	7	1,846.82	1,040.23
Total non-current assets		67,696.44	62,421.50
Current assets			
Inventories	8	19,265.42	17,508.79
Financial Assets			
(i) Investments	5	750.00	750.00
(ii) Trade receivables	9	16,401.97	19,392.27
(iii) Cash and cash equivalents	10	744.22	308.43
(iv) Bank balances other than (iii) above	11	2,990.67	1,396.81
(v) Other financial assets	12	552.04	395.64
Other current assets	7	4,588.88	4,920.98
Total current assets		45,293.20	44,672.92
Total assets		112,989.64	107,094.42
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13	1,290.05	895.49
Other equity	14	68,267.86	23,497.52
Equity suspense account	37	-	31,084.99
Total equity		69,557.91	55,478.00
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	15	6,071.55	10,348.82
Provisions	17	1,174.02	987.00
Deferred tax liabilities (net)	18	1,039.25	1,214.43
Other non-current liabilities	20	2,028.00	2,028.00
Total non-current liabilities		10,312.82	14,578.25
Current liabilities			
Financial liabilities			
(i) Borrowings	15	14,905.83	19,920.26
(ii) Trade payables			
- total outstanding dues of micro and small enterprises	19	122.03	26.23
- total outstanding dues of creditors other than micro and small enterprises		12,539.29	12,875.00
(iii) Other financial liabilities	16	3,726.14	2,950.65
Other current liabilities	20	1,745.97	1,106.57
Provisions	17	79.65	159.46
Total current liabilities		33,118.91	37,038.17
Total liabilities		43,431.73	51,616.42
Total equity and liabilities		112,989.64	107,094.42

The accompanying notes referred to above form an integral part of the standalone financial statements

This is the Balance Sheet referred to in our report of even date.

For **Walker Chandio & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

Place: Hyderabad

Date: May 16, 2019

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

Dr. D. R. Rao

Chairman &
Managing Director
DIN 00107737

P. V. Maiya

Director
DIN 00195847

D. Sucheth Rao

Vice Chairman
and CEO
DIN 00108880

Amit Agarwal

Chief Financial
Officer

D. Saharsh Rao

Joint Managing
Director
DIN 02753145

Sarada Bhamidipati

Company Secretary

Place: Hyderabad

Date: May 16, 2019

STANDALONE STATEMENT OF PROFIT & LOSS for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

	Notes	For the year ended March 31, 2019	For the year ended March 31, 2018
Income			
Revenue from operations	21	66,682.95	52,916.15
Other income	22	349.16	453.45
Total income		67,032.11	53,369.60
Expenses			
Cost of materials consumed	23	36,044.19	28,109.42
Excise duty		-	175.47
Changes in inventories of finished goods and work-in-progress	24	580.08	(4,272.41)
Employee benefits expense	25	10,447.48	9,572.79
Finance costs	26	1,566.31	1,892.13
Depreciation and amortisation expenses	3 & 4	2,586.02	2,210.35
Manufacturing expenses	27	7,691.36	8,149.10
Other expenses	28	6,133.17	6,178.72
Total expenses		65,048.61	52,015.57
Profit before tax		1,983.50	1,354.03
Tax expense	29		
Current tax		544.35	422.92
Deferred tax benefit		(175.19)	(249.70)
Profit for the year		1,614.34	1,180.81
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement gains on defined benefit plans		23.08	27.28
Equity instruments through other comprehensive income		(0.10)	1.70
Tax on items that will not be reclassified to profit or loss		(7.99)	(9.44)
Total other comprehensive income for the year, net of tax		14.99	19.54
Total comprehensive income for the year		1,629.33	1,200.35
Earnings per equity share [EPES] (in absolute ₹ terms)			
Par value per share	30	10	10
Basic EPES		12.83	10.59
Diluted EPES		12.83	10.59

The accompanying notes referred to above form an integral part of the standalone financial statements

This is the Statement of Profit & Loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**

Chartered Accountants
Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner
Membership No: 207660

Place: Hyderabad
Date: May 16, 2019

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

Dr. D. R. Rao
Chairman &
Managing Director
DIN 00107737

P. V. Maiya
Director
DIN 00195847

D. Sucheth Rao
Vice Chairman
and CEO
DIN 00108880

Amit Agarwal
Chief Financial
Officer

D. Saharsh Rao
Joint Managing
Director
DIN 02753145

Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: May 16, 2019

STANDALONE CASH FLOW STATEMENT for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

	For the year ended March 31, 2019	For the year ended March 31, 2018
Cash flow from operating activities		
Profit before tax	1,983.50	1,354.03
Adjustments:		
Depreciation and amortisation expense	2,586.02	2,210.35
Interest income	(249.56)	(78.88)
Loss on sale of property, plant & equipment, net	13.05	16.51
Finance costs	1,566.31	1,892.13
Unrealised foreign exchange gain, net	(150.62)	(115.26)
Unrealised gain on forward contracts	(2.37)	(2.28)
Provision towards doubtful trade receivables	-	34.80
Provision for employee benefits	130.29	77.80
Operating cash flows before working capital changes	5,876.62	5,389.20
Changes in loans	(7.42)	2.45
Changes in other non-current assets	(550.78)	124.26
Changes in inventories	(1,756.63)	(3,997.52)
Changes in trade receivables	3,144.31	(1,225.10)
Changes in other current assets	332.10	(1,370.67)
Changes in other financial assets	(50.96)	(120.91)
Changes in trade payables	(257.80)	4,061.24
Changes in other financial liabilities	99.57	(59.24)
Changes in other current liabilities	639.40	(1,334.58)
Cash generated from operating activities	7,468.41	1,469.13
Income-taxes paid, net	(508.79)	(317.21)
Net cash generated from operating activities (A)	6,959.62	1,151.92
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(6,309.77)	(13,359.78)
Proceeds from sale of property, plant and equipment	37.97	93.61
Advance received from sale of investment property	-	2,028.00
Movement in other bank balances	(1,593.88)	(492.01)
Interest income received	144.12	101.43
Net cash used in investing activities (B)	(7,721.56)	(11,628.75)
Cash flows from financing activities		
Proceeds from issue of equity shares, net of issue expenses	12,450.58	-
Proceeds from / (repayment of) short-term borrowings, net	(4,900.75)	4,812.36
Proceeds from long-term borrowings	1,303.57	10,723.86
Repayment of long-term borrowings	(5,160.34)	(2,826.58)
Interest paid	(2,495.33)	(2,223.96)
Net cash generated from financing activities (C)	1,197.73	10,485.68
Net (decrease)/ increase in cash and cash equivalents during the year (A + B + C)	435.79	8.85
Cash and cash equivalents at the beginning of the year	308.43	299.58
Cash and cash equivalents at the end of the year (Note 1)	744.22	308.43

STANDALONE CASH FLOW STATEMENT for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

Note 1

	As at March 31, 2019	As at March 31, 2018
Cash and cash equivalents includes		
Cash on hand	4.17	4.27
Balances with banks in current accounts	740.05	304.16
	744.22	308.43

This is the Cash Flow Statement referred to in our report of even date.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

Place: Hyderabad

Date: May 16, 2019

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

Dr. D. R. Rao

Chairman &
Managing Director
DIN 00107737

P. V. Maiya

Director
DIN 00195847

D. Sucheth Rao

Vice Chairman
and CEO
DIN 00108880

Amit Agarwal

Chief Financial
Officer

D. Saharsh Rao

Joint Managing
Director
DIN 02753145

Sarada Bhamidipati

Company Secretary

Place: Hyderabad

Date: May 16, 2019

STANDALONE STATEMENT FOR CHANGES IN EQUITY for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

A. Equity Share Capital

	Number of shares	Amount*
As at April 1, 2017	8,884,254	895.49
Changes in equity share capital	-	-
As at March 31, 2018	8,884,254	895.49
Changes in equity share capital	3,945,635	394.56
As at March 31, 2019	12,829,889	1,290.05

*includes ₹7.06 received towards forfeiture of equity shares during the earlier years.

B. Other Equity

	Reserves and Surplus					Other Comprehensive Income		Total
	Capital reserve	Securities premium	General reserve	Revaluation reserve	Retained earnings	FVOCI - equity instruments	Remeasurement of defined benefit plans	
Balance as at April 1, 2017	3.32	6,636.34	2,789.65	83.89	12,771.81	42.67	(30.51)	22,297.17
Profit for the year	-	-	-	-	1,180.81	-	-	1,180.81
Other comprehensive income	-	-	-	-	-	1.70	27.28	28.98
Income tax relating to items of OCI	-	-	-	-	-	-	(9.44)	(9.44)
Balance as at March 31, 2018	3.32	6,636.34	2,789.65	83.89	13,952.62	44.37	(12.67)	23,497.52
Profit for the year	-	-	-	-	1,614.34	-	-	1,614.34
Premium on issue (net of share issue expenses ₹111.92)	-	43,141.01	-	-	-	-	-	43,141.01
Other comprehensive income	-	-	-	-	-	(0.10)	23.08	22.98
Income tax relating to items of OCI	-	-	-	-	-	-	(7.99)	(7.99)
Balance as at March 31, 2019	3.32	49,777.35	2,789.65	83.89	15,566.96	44.27	2.42	68,267.86

This is the Statement for Changes in Equity referred to in our report of even date.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

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DIN 00195847

Amit Agarwal

Chief Financial
Officer

Sarada Bhamidipati

Company Secretary

Place: Hyderabad

Date: May 16, 2019

Place: Hyderabad

Date: May 16, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

for the year ended March 31, 2019

1. General information

Neuland Laboratories Limited ("the Company") is a public company domiciled in India and incorporated in accordance with the provisions of the erstwhile Companies Act, 1956. 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. Its shares are listed on two recognised stock exchanges of India, 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.

2. Basis of preparation

The 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 the Companies (Indian Accounting Standards) Rules 2015, as amended, issued by the Ministry of Corporate Affairs ('MCA').

These 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 March 31, 2019.

These 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 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 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 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 financial statements is included in the following notes:

- Note (e), (f) and (g) — Useful lives of property, plant and equipment, investment properties, goodwill and other intangible assets;
- Note (i) – Impairment;
- Note (k) — Financial instruments;
- Note (n) — Employee benefits;
- Note (p) – Provisions, contingent liabilities and contingent assets; and
- Note (q) — Income taxes

(ii) Summary of significant accounting policies

The financial statements have been prepared using the accounting policies and measurement basis summarized below.

a. Functional currency

The 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 lacs, 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 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. 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.

d. Revenue recognition

The Company derives revenues primarily from sale of active pharmaceutical ingredients and contract research services.

The Company has adopted Ind AS 115 - Revenue from Contracts with Customers, using modified retrospective application method with effect from 1 April 2018 and accordingly these financial statements are prepared in accordance with the recognition and measurement principles laid down in Ind AS 115. Also, the application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial statements of the Company.

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 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.

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
- 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.

Other operating revenue - Export incentives

Export Incentives under various schemes are accounted in the year of export.

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 at amortised cost, interest income is recorded using the effective interest rate (EIR) method.

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.

e. Property, plant and equipment (PPE)

Recognition and measurement

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.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Any gain or loss on disposal of an item of PPE is recognised in statement of profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation on items of PPE is provided on the straight-line method, computed on the basis of useful lives as estimated by the management which coincides with the useful lives mentioned in Schedule II to the Companies Act, 2013.

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 residual values, useful lives and method of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

f. Investment properties

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 its carrying amount on the date of reclassification.

g. Goodwill and other intangible assets

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment. Other intangible assets comprising of computer software expenditure is amortized over a period of three years. Goodwill arising on

business combination is recorded at excess of the consideration paid over the fair value of the net assets taken-over and is subsequently measured at cost less accumulated impairment losses, if any.

h. Leases

A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as finance lease. All other leases are classified as operating leases.

Operating lease payments are generally recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which the benefits accrue. Contingent rentals arising under operating leases are also recognised as expenses in the periods in which they are incurred.

i. 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.

j. Inventories

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

k. Financial instruments

Recognition and initial 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.

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 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 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, 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.

l. Investments in the nature of equity in subsidiaries

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'.

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. 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.

o. 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.

p. 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.

q. Income 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.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period and any adjustment to tax payable in respect of previous years. 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.

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.

Minimum Alternate Tax ('MAT') credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

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.

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) Standards, not yet effective and have not been adopted early by the Company

a) Ind AS 116, Leases:

Ind AS 116 removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability (the obligation to pay rentals). An optional exemption exists for short-term and low value leases. The standard may not have a significant impact on the Company's financial statements considering the number of assets under operating lease arrangement as at March 31, 2019. On implementation of Ind AS 116, the operating lease charges will be replaced with interest and depreciation expenses. These changes will affect key ratios like profit margin, operating margin, EBITDA margin etc. Further, operating cash flows will be higher as cash payments for the principal portion of the lease liability will be classified within financing activities.

The effect on adoption of Ind AS 116 would be insignificant in the standalone financial statements.

b) Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments:

On March 30, 2019 the Ministry of Corporate Affairs has notified Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount of the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition:

- Full retrospective approach – Under this approach Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight, and
- Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives

The Company is currently assessing the detailed financial impact of this standard on its standalone financial statements.

c) Amendment to Ind AS 12, Income Taxes:

On March 30, 2019, the Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, Income Taxes, in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company is currently evaluating the effect of this amendment on the standalone financial statements.

(All amounts in ₹ lacs, except for share data or as otherwise stated)

3. Property, plant and equipment		Freehold land	Buildings	Plant and equipment	Lab equipment	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
Deemed carrying amount										
As at April 1, 2017		245.81	5,841.22	9,668.03	754.82	20.80	75.84	540.30	195.51	17,342.33
Additions		-	474.97	1,791.87	366.42	7.88	15.65	284.25	183.89	3,124.93
Disposals/retirement		-	-	71.19	54.63	-	-	228.22	22.47	376.51
Balance as at March 31, 2018		245.81	6,316.19	11,388.71	1,066.61	28.68	91.49	596.33	356.93	20,090.75
Additions		828.47	2,215.07	5,408.34	412.00	26.61	60.23	163.20	87.82	9,201.74
Disposals/retirement		-	-	24.63	-	-	-	80.47	0.74	105.84
Balance as at March 31, 2019		1,074.28	8,531.26	16,772.42	1,478.61	55.29	151.72	679.06	444.01	29,186.65
Accumulated depreciation										
Upto March 31, 2017		-	245.77	1,265.60	185.14	2.28	10.24	84.66	53.13	1,846.82
Charge for the year		-	252.47	1,527.42	158.94	8.60	10.23	130.85	45.58	2,134.09
Adjustments for disposals/retirement		-	-	62.60	45.85	-	-	136.59	21.35	266.39
Balance as at March 31, 2018		-	498.24	2,730.42	298.23	10.88	20.47	78.92	77.36	3,714.52
Charge for the year		-	309.48	1,671.32	262.82	8.74	13.14	128.52	92.68	2,486.70
Adjustments for disposals/retirement		-	-	13.52	-	-	-	41.25	0.42	55.19
Balance as at March 31, 2019		-	807.72	4,388.22	561.05	19.62	33.61	166.19	169.62	6,146.02
Net book value as at March 31, 2018		245.81	5,817.95	8,658.29	768.38	17.80	71.02	517.41	279.57	16,376.23
Net book value as at March 31, 2019		1,074.28	7,723.54	12,384.20	917.56	35.67	118.11	512.87	274.39	23,040.62

Note: Free hold 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:40(h)..

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

4. Other intangible assets

	Computer Software	Total
Deemed carrying amount		
Balance as at April 1, 2017	185.39	185.39
Additions	122.78	122.78
Balance as at March 31, 2018	308.17	308.17
Additions	101.58	101.58
Balance as at March 31, 2019	409.75	409.75
Accumulated amortization		
Upto April 1, 2017	53.47	53.47
Charge for the year	76.26	76.26
Balance as at March 31, 2018	129.73	129.73
Charge for the year	99.32	99.32
Balance as at March 31, 2019	229.05	229.05
Net carrying amount		
Net book value as at March 31, 2018	178.44	178.44
Net book value as at March 31, 2019	180.70	180.70

5. Investments

	As at March 31, 2019	As at March 31, 2018
Non-current		
Investments in equity instruments, unquoted, fully paid-up		
I. Investments in subsidiaries, at cost		
300,000 (March 31, 2018: 300,000) equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding	15.37	15.37
1,000 (March 31, 2018: 1,000) equity shares of USD 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding	0.45	0.45
	15.82	15.82
II. Investment in others, at FVOCI		
2,200 (March 31, 2018: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (March 31, 2018: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91
	23.11	23.11
III. Investments in Government securities, at FVOCI	1.61	1.61
IV. Investment in mutual funds, unquoted, at FVOCI		
100,000 (March 31, 2018: 100,000) units of ₹10 each in SBI Mutual Fund	15.20	15.30
Total non-current investments (I+II+III+IV)	55.74	55.84
Current		
Investment in others, at FVOCI		
402,000 (March 31, 2018: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	750.00	750.00
Note:		
Aggregate amount of quoted investments and market value thereof	-	-
Aggregate book value of unquoted investments	754.58	754.58
Aggregate amount of impairment in the value of investments	-	-

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

6. Loans

	As at March 31, 2019	As at March 31, 2018
(Unsecured, considered good)		
Non-current		
Security deposits	294.89	287.47
Advances to related parties	14.79	14.79
	309.68	302.26

7. Other assets

	As at March 31, 2019	As at March 31, 2018
Non-current		
Capital advances	274.55	18.74
Balances with government authorities	1,572.27	999.19
Other receivables	-	22.30
	1,846.82	1,040.23
Current		
Prepaid expenses	572.79	488.66
Advance to suppliers	869.48	1,043.77
Balances with government authorities	1,828.19	2,518.41
Export benefits receivable	839.49	739.52
Other advances	478.93	130.62
	4,588.88	4,920.98

8. Inventories (at lower of cost or net realisable value)

	As at March 31, 2019	As at March 31, 2018
Raw materials (including goods in transit of ₹643.70 (March 31, 2018: ₹401.07))	4,555.14	3,087.22
Work-in-progress	10,113.50	9,411.66
Finished goods	3,965.66	4,360.38
Stores and consumables	631.12	649.53
	19,265.42	17,508.79

9. Trade receivables

	As at March 31, 2019	As at March 31, 2018
Unsecured, receivables considered good	16,401.97	19,392.27
Unsecured, receivables with significant increase in Credit Risk	351.40	379.19
	16,753.37	19,771.46
Less: Allowance for trade receivables	(351.40)	(379.19)
	16,401.97	19,392.27

10. Cash and cash equivalents

	As at March 31, 2019	As at March 31, 2018
Balances with banks in current accounts	740.05	304.16
Cash on hand	4.17	4.27
	744.22	308.43

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

11. Bank balances other than cash and cash equivalents

	As at March 31, 2019	As at March 31, 2018
Unpaid dividend account	8.25	8.27
Deposits with a maturity period of over 3 months but less than 12 months*	2,982.42	1,388.54
	2,990.67	1,396.81

* Represents deposits amounting to ₹1,382.42 (March 31, 2018: ₹1,388.54) held as margin money with the banks

12. Other financial assets

	As at March 31, 2019	As at March 31, 2018
Current		
Interest accrued but not due on bank deposits	369.50	264.06
Unbilled revenue	182.54	131.58
	552.04	395.64

13. Equity share capital

	As at March 31, 2019		As at March 31, 2018	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹10 each	44,000,000	4,400.00	44,000,000	4,400.00
Issued share capital				
Equity shares of ₹10 each, fully paid-up	13,023,434	1,302.34	9,077,799	907.78
Subscribed share capital				
Equity shares of ₹10 each, fully paid-up	12,933,165	1,293.32	8,987,530	898.75
Fully paid-up share capital				
Equity shares of ₹10 each	12,829,889	1,282.99	8,884,254	888.43
Add: Forfeited equity shares of ₹10 each		7.06		7.06
		1,290.05		895.49

i) Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	As at March 31, 2019		As at March 31, 2018	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	8,884,254	888.43	8,884,254	888.43
Add: Shares issued pursuant to Scheme of Amalgamation (Refer note 37)	2,270,635	227.06	-	-
Add: Issued during the year*	1,675,000	167.50	-	-
Balance at the end of the year	12,829,889	1,282.99	8,884,254	888.43

*During the year, the Company has allotted 1,675,000 equity shares of ₹10 each at a premium of ₹740 per share through Qualified Institutional Placement in accordance with provisions of Chapter VIII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("QIP Issue") pursuant to the approval accorded by the shareholders in the extra-ordinary general meeting on May 11, 2018.

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 dividend proposed by the Board of Directors is subject to prior consent from consortium and the approval of the shareholders in the ensuing general meeting.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

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 March 31, 2019		As at March 31, 2018**	
	Number	% holding	Number	% holding
Dr. D R Rao	3,178,262	24.77%	3,178,262	28.49%
Malabar India Fund Limited	1,277,096	9.95%	920,150	8.25%
Steadview Capital Mauritius Limited	1,270,159	9.90%	635,817	5.70%
Davuluri Vijaya Rao*	NA	NA	613,338	5.50%

* Equity shares held by Davuluri Vijaya Rao as at March 31, 2019, were less than five percent of the paid up equity share capital of the Company, hence the relevant disclosure is not applicable.

** The disclosure as at March 31, 2018 represents details of shareholders holding more than five percent equity shares post giving effect to the Scheme of Amalgamation and Arrangement duly approved by NCLT (refer note 37).

14. Other equity

	As at March 31, 2019	As at March 31, 2018
Reserves and surplus		
Capital reserve	3.32	3.32
Securities premium	49,777.35	6,636.34
General reserve	2,789.65	2,789.65
Revaluation reserve	83.89	83.89
Retained earnings	15,566.96	13,952.62
Total Reserves and surplus	68,221.17	23,465.82
Other comprehensive income		
FVOCI - equity instruments, net of taxes	44.27	44.37
Remeasurement of defined benefit plan net of taxes	2.42	(12.67)
Total Other Comprehensive Income	46.69	31.70
	68,267.86	23,497.52

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.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

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.

15. Borrowings

	As at March 31, 2019	As at March 31, 2018
Non-current		
Secured		
Term loans		
From banks	5,451.90	11,750.14
From other parties	2,701.27	187.49
Vehicle loans		
From banks	41.13	6.65
From other parties	45.96	55.94
	8,240.26	12,000.22
Less: Current maturities of long-term borrowings	2,168.71	1,651.40
	6,071.55	10,348.82

(a) Terms and conditions of loans and nature of security

- (i) Term loans outstanding to the tune of ₹Nil (March 31, 2018: ₹828.98) was secured by first charge on fixed assets and equitable mortgage of land and buildings situated at Bonthapally Village, Jinnaram Mandal, Medak District on first pari passu basis along with other Banks. The loan is repayable in 20 quarterly installments commencing from June 2017. However, during the year, the company had prepaid the loan.
- (ii) Term loans outstanding to the tune of ₹400.00 (March 31, 2018: ₹640.00) is 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. The loan is repayable in 18 quarterly installment commencing from September 2016.
- (iii) Term loans outstanding to the tune of ₹4,331.57 (March 31, 2018: ₹8,813.00) is 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. The loan is repayable in 28 quarterly installment commencing from March 2019.
- (iv) Term loans outstanding to the tune of ₹697.58 (March 31, 2018: ₹1,350.57) is secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge on current assets of the Company. The loan is repayable in 29 monthly installments commencing from 8 September 2017.
- (v) Term loans outstanding to the tune of ₹2,500.00 (March 31, 2018: ₹ Nil) is 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. The loan is repayable in 28 quarterly installment commencing from April, 2019.
- (vi) All the above term loan from banks are also secured by way of personal guarantees extended by Dr. D. R. Rao and Mr. D. Sucheth Rao.
- (vii) Vehicles loans outstanding to the tune of ₹311.11 (March 31, 2018: ₹367.67) are secured by hypothecation of specific vehicles against which the loan is availed. Vehicle loans are repayable in installments ranging from 35 to 84 months from the date of the loan.
- (viii) All the above loans carry interest in the range of 6.7% to 12.5% per annum (March 31, 2018: 6.7 % to 12.5 % per annum).

(ix) Details of repayment of non current borrowings

	As at March 31, 2019	As at March 31, 2018
Up to 1 year	2,168.71	1,651.40
From 1 to 3 years	2,310.57	4,214.77
3 years and above	3,760.98	6,134.05
	8,240.26	12,000.22

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

	As at March 31, 2019	As at March 31, 2018
Current		
Secured loans from banks	14,905.83	19,920.26
	14,905.83	19,920.26

- (i) Loans outstanding represent cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 4.41% to 12.20% (March 31, 2018: 3.42% to 12.05% per annum).
- (ii) Loans 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 fixed assets with all working capital lenders and personal guarantees extended by Dr. D. R. Rao and Mr. D. Sucheth Rao. The pari passu charge on 200,000 equity shares of the Company held by Dr. D. R. Rao, in favour of the lenders.

16. Other financial liabilities

	As at March 31, 2019	As at March 31, 2018
Current		
Current maturities of long-term borrowings (refer note 15)	2,168.71	1,651.40
Interest accrued but not due	29.01	4.84
Unclaimed dividends	8.25	8.27
Creditors for capital goods	690.04	555.57
Employee related liabilities	574.69	475.40
Accrual for expenses	255.44	255.17
	3,726.14	2,950.65

17. Provisions

	As at March 31, 2019	As at March 31, 2018
Non-current		
Gratuity (refer note (a))	973.37	846.29
Compensated absences	200.65	140.71
	1,174.02	987.00
Current		
Gratuity (refer note (a))	42.35	91.42
Compensated absences	37.30	68.04
	79.65	159.46

(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). 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 upto 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.

(i) Change in projected benefit obligation

	As at March 31, 2019	As at March 31, 2018
Projected benefit obligation at the beginning of the year	959.60	858.71
Service cost	103.48	119.06
Interest cost	72.09	64.41
Actuarial (gain) / loss	(23.61)	(25.75)
Benefits paid	(72.76)	(56.83)
Projected benefit obligation at the end of the year	1,038.80	959.60

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

(ii) Change in plan assets

	As at March 31, 2019	As at March 31, 2018
Fair value of plan assets at the beginning of the year	21.89	20.08
Value adjustment	(4.99)	(0.08)
Expected return on plan assets	1.69	1.53
Employer contributions	65.99	45.49
Benefits paid	(61.50)	(45.13)
Fair value of plan assets at the end of the year	23.08	21.89

(iii) Reconciliation of present value of obligation on the fair value of plan assets

	As at March 31, 2019	As at March 31, 2018
Present value of projected benefit obligation at the end of the year	1,038.80	959.60
Funded status of the plans	(23.08)	(21.89)
Net liability recognised in the balance sheet	1,015.72	937.71

(iv) Expense recognized in the statement of profit and loss

	As at March 31, 2019	As at March 31, 2018
Service cost	103.48	119.06
Interest cost	72.09	64.41
Expected returns on plan assets	(1.69)	(1.53)
Net gratuity costs	173.88	181.94

(v) Expense recognized in OCI

	As at March 31, 2019	As at March 31, 2018
Recognized net actuarial (gain)/ loss	(23.08)	(27.28)
	(23.08)	(27.28)

(vi) Key actuarial assumptions

	As at March 31, 2019	As at March 31, 2018
Discount rate	7.60%	7.72%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

(vii) Sensitivity Analysis

	As at March 31, 2019	As at March 31, 2018
Projected defined benefit obligation	1,038.80	959.60
Delta effect of +1% change in discount rate	975.43	902.79
Delta effect of -1% change in discount rate	1,109.94	1,023.13
Delta effect of +1% change in salary escalation rate	1,113.05	1,063.91
Delta effect of -1% change in salary escalation rate	971.43	869.30

(viii) Maturity analysis of projected benefit obligation

	As at March 31, 2019	As at March 31, 2018
1 year	60.80	51.70
2 to 5 years	443.74	169.19
6 to 10 years	431.26	214.40
More than 10 years	102.99	524.32

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.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

18. Deferred tax liabilities / (assets) (net)

	As at March 31, 2019	As at March 31, 2018
Deferred tax liabilities arising on account of :		
Property, plant and equipment, Goodwill and other intangible asset	7,999.40	6,390.73
Deferred tax assets arising on account of :		
Minimum alternative tax credit	(2,672.26)	(2,127.91)
Employee benefits	(618.77)	(562.73)
Provision for trade receivables and advances	(122.79)	(131.23)
Unabsorbed business losses	(2,873.49)	(1,686.69)
Investment property	(673.03)	(666.56)
Others	0.19	(1.17)
Deferred tax liabilities, net	1,039.25	1,214.43

- 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 MAT credit and 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 differences of MAT credit and 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.

19. Trade payables

	As at March 31, 2019	As at March 31, 2018
Dues to micro and small enterprises	122.03	26.23
Others	12,539.29	12,875.00
	12,661.32	12,901.23

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:

	As at March 31, 2019	As at March 31, 2018
The principal amount remaining unpaid as at the end of the year	122.03	26.23
The amount of interest accrued and remaining unpaid at the end of the year	-	-
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)	-	-

20. Other liabilities

	As at March 31, 2019	As at March 31, 2018
Non-current		
Advances from customers (Refer note 35)	2,028.00	2,028.00
	2,028.00	2,028.00
Current		
Advances from customers	1,481.17	881.65
Statutory liabilities	264.80	224.92
	1,745.97	1,106.57

21. Revenue from operations

	For the year ended March 31, 2019	For the year ended March 31, 2018
Sale of products	62,275.17	48,990.24
Sale of services	1,556.84	2,169.58
Other operating revenues		
Sale of impurities	301.86	176.42
Export incentives	2,084.93	1,463.78
Scrap sales	464.15	116.13
	66,682.95	52,916.15

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

Disaggregation of revenue
Revenue based on Geography

	Year ended March 31, 2019
India	19,416.17
Europe	28,618.67
USA	7,383.49
Rest of the world	11,264.62
	66,682.95

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 ₹450.63, 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 ₹182.54 as at March 31, 2019.

22. Other income

	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest income	249.56	78.88
Incentive under Market access initiative scheme	62.19	97.07
Other non-operating income	37.41	277.50
	349.16	453.45

23. Cost of raw materials consumed

	For the year ended March 31, 2019	For the year ended March 31, 2018
Raw material at the beginning of the year	3,087.22	3,517.12
Add: Purchases during the year*	37,512.11	27,679.52
Less: Raw material at the end of the year	4,555.14	3,087.22
	36,044.19	28,109.42

*Disclosed based on derived figures, rather than actual records of issue.

24. Changes in inventories of finished goods and work-in-progress

	For the year ended March 31, 2019	For the year ended March 31, 2018
Opening stock		
- Finished goods	4,360.38	3,824.64
- Work-in-progress	9,411.66	5,674.99
	13,772.04	9,499.63
Closing balance		
- Finished goods	3,965.66	4,360.38
- Work-in-progress	10,113.50	9,411.66
	14,079.16	13,772.04
- Less: Trial run inventory	(887.20)	-
	580.08	(4,272.41)

25. Employee benefits expense

	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries and wages	9,391.15	8,542.87
Contribution to provident and other funds [note(a) below]	367.70	355.44
Gratuity Expense	173.88	181.94
Staff welfare expenses	514.75	492.54
	10,447.48	9,572.79

a) During the year ended March 31, 2019, the Company contributed ₹345.78 (March 31, 2018: ₹322.90) to provident fund and ₹21.92 (March 31, 2018: ₹32.54) towards employee state insurance fund.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

26. Finance costs

	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest expense	1,944.38	1,625.66
Other borrowing costs	575.12	586.16
	2,519.50	2,211.82
Less: Borrowing costs capitalized *	(953.19)	(319.69)
	1,566.31	1,892.13

*The Company has capitalised borrowing costs with respect to its qualifying assets. The rate for capitalisation of borrowing cost was approximately 9.55% (March 31, 2018: 9.50%).

27. Manufacturing expenses

	For the year ended March 31, 2019	For the year ended March 31, 2018
Consumption of stores and spare parts	2,547.76	3,332.47
Consumption of packing material	258.76	226.37
Power and fuel	2,681.16	2,595.44
Carriage inwards	77.32	97.60
Repairs and maintenance		
- Buildings	212.46	148.55
- Plant and equipment	690.79	483.24
- Others	694.68	610.82
Effluent treatment and testing charges	528.43	654.61
	7,691.36	8,149.10

28. Other expenses

	For the year ended March 31, 2019	For the year ended March 31, 2018
Rent	203.41	210.30
Corporate Social Responsibility ('CSR') expenditure (refer note ii below)	2.00	23.16
Rates and taxes	109.85	206.39
Travelling and conveyance	982.89	934.06
Legal and professional fees (refer note i below)	864.99	1,383.02
Insurance	253.73	258.90
Advertisement and subscription expense	253.37	194.33
Sales promotion expenses including commission	1,901.12	1,866.75
Freight and forwarding charges	646.89	588.49
Provision for doubtful debts and advances, net	-	34.80
Foreign exchange loss, net	518.68	51.34
Loss on sale of property, plant and equipment, net	13.05	16.51
Directors commission	15.00	15.00
Sitting fees	25.70	30.30
Miscellaneous expenses	342.49	365.37
	6,133.17	6,178.72

(i) Details of payments to auditors included in legal and professional charges:

	For the year ended March 31, 2019	For the year ended March 31, 2018
As auditor:		
- Audit fee, including tax audit *	37.40	60.90
- Certifications	0.60	2.10
- Reimbursement of expenses	0.30	1.23
	38.30	64.23

* includes ₹Nil (March 31, 2018: ₹10), towards audit of Ind-AS adjustments carried out to the balances as at April 1, 2016 and for year ended and as at March 31, 2017 and excludes ₹31 (March 31, 2018: ₹Nil) adjusted against the securities premium.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

(ii) Details of CSR expenditure :

	For the year ended March 31, 2019	For the year ended March 31, 2018
Gross amount required to be spent by the Company during the year	69.87	93.18
Amount spent during the year (in cash) on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above	2.00	23.16
Amount remaining to be spent	67.87	70.02

29. Income tax

	For the year ended March 31, 2019	For the year ended March 31, 2018
Income tax expense recognised in the statement of profit and loss consists of the following:		
Current income tax	544.35	422.92
Deferred tax benefit	(175.19)	(249.70)
Total tax expense for the year	369.16	173.22

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 34.944% (March 31, 2018: 34.608%) 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

	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit before tax	1,983.50	1,354.03
Tax rate applicable to the company	34.94%	34.61%
Estimated tax expense on profit	693.11	468.60
Increase/(Decrease) in tax expense on account of		
Weighted deduction of revenue expenditure Section 35(2AB)	(375.51)	(306.54)
Impact of change in tax rate	37.26	-
Expenses disallowed	14.30	20.08
Others	-	(8.92)
Income tax expense	369.16	173.22

30. Earnings per equity share (EPES)

	For the year ended March 31, 2019	For the year ended March 31, 2018
Net profit for the year	1,614.34	1,180.81
Computation of weighted average number of equity shares:		
Weighted average number of equity shares outstanding during the year*	12,586,670	11,154,889
Add: Effect of potential dilutive shares	-	-
Weighted average number of equity shares adjusted for the effect of dilution	12,586,670	11,154,889
EPES (in absolute ₹):		
Basic	12.83	10.59
Diluted	12.83	10.59

*Weighted average number of shares considered for the year ended March 31, 2019 and March 31, 2018 includes 2,270,635 equity shares of ₹10 each issued pursuant to the Scheme of Amalgamation, as referred in Note 37, from the beginning of the financial years.

(All amounts in ₹ lacs, except for share data or as otherwise stated)

31. 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

	As at March 31, 2019		As at March 31, 2018	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Investments	15.20	774.72	15.30	774.72
Derivatives - Forward contracts	-	2.37	-	2.28

iii) Financial instruments by category

For amortised cost instruments, carrying value represents the best estimate of fair value.

	March 31, 2019		March 31, 2018	
	FVOCI	Amortised cost	FVOCI	Amortised cost
Financial assets				
Investments	789.92	-	790.02	-
Loans	-	309.68	-	302.26
Trade receivables	-	16,401.97	-	19,392.27
Cash and cash equivalents	-	744.22	-	308.43
Other bank balances	-	2,990.67	-	1,396.81
Other financial assets	-	552.04	-	395.64
Total financial assets	789.92	20,998.58	790.02	21,795.41

	March 31, 2019		March 31, 2018	
	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial liabilities				
Borrowings	-	23,146.09	-	31,920.48
Trade payables	-	12,661.32	-	12,901.23
Other financial liabilities	-	1,557.43	-	1,299.25
Total financial liabilities	-	37,364.84	-	46,120.96

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.

32. 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.

(All amounts in ₹ lacs, except for share data or as otherwise stated)

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 March 31, 2019 and March 31, 2018. 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:

Particulars	March 31, 2019	March 31, 2018
Fixed rate instruments		
Financial assets	2,982.42	1,388.54
Financial liabilities	311.11	367.67
Variable rate instruments		
Financial liabilities	22,834.98	31,552.81

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 ₹114.17 and ₹157.76 for the year ended March 31, 2019 and March 31, 2018 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

Trade receivables	March 31, 2019	March 31, 2018
- USD	10,381.78	11,189.75
-GBP	-	1.09
-CHF	13.44	-
- EUR	1,383.83	2,088.57

Cash & cash equivalents

	March 31, 2019	March 31, 2018
- USD	537.55	20.33

Financial liabilities

Trade payables	March 31, 2019	March 31, 2018
- USD	2,481.40	2,592.16
- EUR	8.70	14.29
- GBP	0.02	54.20
- CHF	5.43	0.10
- JPY	74.13	57.87

Borrowings

	March 31, 2019	March 31, 2018
- USD	7,552.58	11,443.25
- EUR	-	287.58

(All amounts in ₹ lacs, except for share data or as otherwise stated)

b) Derivative financial instruments

The following table gives details in respect of outstanding derivative contracts. The counterparty for these contracts are banks.

	Buy	March 31, 2019	March 31, 2018
Derivatives not designated as hedges			
Forward contract	GBP	-	GBP 1.97
Forward contract	USD	US \$16.06	US \$9.62
Interest rate swaps	USD	US \$10.09	US \$20.98

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.

Particulars	Impact on profit after tax for the year ended	
	March 31, 2019	March 31, 2018
<i>USD sensitivity</i>		
₹/USD - Increase by 5%	44.27	(141.27)
₹/USD - Decrease by 5%	(44.27)	141.27
<i>EUR sensitivity</i>		
₹/EUR - Increase by 5%	68.76	89.34
₹/EUR - Decrease by 5%	(68.76)	(89.34)

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. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and profit by ₹78.99 (March 31, 2018: ₹79.00).

(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 March 31, 2019 and March 31, 2018.

Ageing of trade receivables is as follows:

	March 31, 2019	March 31, 2018
Neither past due nor impaired	10,973.20	12,428.06
Past due not impaired:		
0-180 days	4,576.63	5,284.42
Greater than 180 days	852.14	1,679.79
	16,401.97	19,392.27

(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.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

March 31, 2019	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	17,074.54	2,310.57	3,760.98	23,146.09
Trade and other payables	12,661.32	-	-	12,661.32
Other financial liabilities	1,557.43	-	-	1,557.43
Total	31,293.29	2,310.57	3,760.98	37,364.84

March 31, 2018	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	21,571.66	4,214.77	6,134.05	31,920.48
Trade and other payables	12,901.23	-	-	12,901.23
Other financial liabilities	1,299.25	-	-	1,299.25
Total	35,772.14	4,214.77	6,134.05	46,120.96

33. 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:

	As at March 31, 2019	As at March 31, 2018
Total borrowings	23,146.09	31,920.48
Less: Cash and cash equivalents	(744.22)	(308.43)
Net debt	22,401.87	31,612.05
Total equity	69,557.91	55,478.00
Net debt to equity ratio	32.21%	56.98%

34. 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:

	As at March 31, 2019	As at March 31, 2018
Salaries and wages	1,080.32	817.91
Consumption of raw materials and consumables	340.06	342.34
Power and fuel	242.83	244.82
	1,663.22	1,405.07

35. 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). However, owing to certain unavoidable reasons, the construction work had been temporarily suspended during the prior years.

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 Addendum 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 leaseable / saleable area of a minimum 3.38 lacs sq. ft, out of which the Company has agreed to transfer 1.20 lacs sq. ft from its own share at ₹0.02 per sq. ft to the Developer nominees on completion of the construction work and has received advance of ₹2,028 towards the proposed transfer as at March 31, 2019. The Developer has resumed the construction work, based on receipt of approvals and clearances from the concerned authorities. The management, on the basis of its assessment of the end use of its share in the proposed

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

project has classified the entire value of land and balance of capital work-in-progress as an investment property as at March 31, 2019.

Management expects the fair value of investment property under construction is reliably measurable when construction is complete, accordingly management has determined that it shall measure the fair value of investment property under construction at the earliest of either when construction is completed or when its fair value becomes reliably measurable.

36. Expenditure during construction period (pending allocation)

	For the year ended	
	March 31, 2019	March 31, 2018
Opening Balance	193.01	-
Add:		
Cost of materials consumed, net of trial run inventory recognized	218.02	-
Employee benefits expense	340.67	73.37
Power and fuel	125.74	20.32
Factory maintenance	527.30	46.22
Rates and taxes	-	21.08
Legal and professional chargers	112.52	-
Others	51.50	32.02
Less:		
Capitalized during the year	1,261.56	-
	307.20	193.01

37. 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 March 21, 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 April 1, 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 payable 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 was disclosed as Share Suspense Account under Other Equity as at March 31, 2018. During the year, the Company has allotted its equity shares and accordingly, ₹227.06 and ₹30,857.93 has been reclassified to equity share capital and securities premium respectively as at March 31, 2019.

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:

	As at March 31, 2019	As at March 31, 2018
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.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

Post-tax discount rates used were 14.45% for the year ended March 31, 2019. 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.

38. Related party disclosures

a) Names of the related parties and nature of relationship

Particulars

Subsidiaries

Neuland Laboratories Inc., USA

Neuland Laboratories K.K., Japan

Key Management Personnel

Dr. D. R. Rao - Chairman & Managing Director

Mr.D. Sucheth Rao - Vice Chairman and CEO

Mr.D. Saharsh Rao - Joint Managing Director

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

Mr.Humayun Dhanrajgir - Non-Executive Independent Director

Mr.Paramally 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 Khusrookhan (with effect from February 12, 2019) - Non-Executive Independent Director

Mr.Amit Agarwal (with effect from 16 November 2017) - Chief Financial Officer

Relatives of Key Management Personnel

Mrs.D. Vijaya Rao

Mrs.D. Rohini Niveditha Rao

b) Transactions with related parties

	For the year ended	
	March 31, 2019	March 31, 2018
Subsidiaries		
Sales promotion expenses including commission	1,049.00	1,161.40
Transactions with KMP		
Managerial remuneration	517.73	192.53
Director's sitting fee	25.70	30.30
Commission	15.00	15.00
Professional fee	29.02	3.87
Transactions with relatives of KMP		
Rent	68.28	65.37

Note: In accordance with the terms of the Scheme approved by the NCLT, on April 30, 2018, the Company had allotted equity shares of ₹10 each at a premium of ₹1,359 per equity share to the below related parties (being the erstwhile shareholders of NHSPL and NPRPL).

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

	No. of equity shares allotted
Dr. D R Rao	3,178,146
Mr. D. Sucheth Rao	319,906
Mr. D. Saharsh Rao	243,471
Mrs. D. Vijaya Rao	613,222
Mrs. D. Rohini Niveditha Rao	163,298

c) Balances receivable/(payables)

	As at March 31, 2019	As at March 31, 2018
Subsidiaries	(452.15)	(463.90)
Key Management Personnel	(50.88)	(25.98)
Relative of Key Management Personnel	12.97	13.25

Note: Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees and Dr. D. R. Rao has additionally pledged certain share of its holding in the Company in connection with the working capital limits availed by the Company. (Refer note: 15)

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 2019. 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.

39. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹166.98 (March 31, 2018: ₹177.15).

40. Contingent liabilities and pending litigations

	As at March 31, 2019	As at March 31, 2018
Disputed income tax liabilities		
Assessment year 2004-05 - refer note (a) below	693.33	693.33
Assessment year 2013-14 to 2018-19 - refer note (b) below	1,357.45	-
Assessment year 2016-17 - refer note (c) below	96.27	-
Other income tax matters	133.31	133.31
Disputed service tax liabilities		
Financial years 2009-2015 - refer note (d) below	119.32	119.32
Other service tax matters	5.70	5.70
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

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

(All amounts in ₹ lacs, except for share data or as otherwise stated)

₹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 an favorable order from the High Court and accordingly, no adjustments have been made to the standalone financial statements in this regard.

- (b) The Assessing Officer for the assessment years 2013-14 to 2018-19 has disallowed certain foreign denominated expenditure on the grounds that tax was not deducted at source in accordance with Section 201 and 201(1A) of the Income-Tax Act, 1961 and demanded an additional tax of ₹1,357.45 (including interest u/s 201(1A)). The Company has filed necessary appeals against the said demand with the Commissioner of Income-Tax (Appeals) which is pending for disposal as at 31 March 2019. The management, on the basis of its internal assessment of the facts of the case, the underlying nature of transactions, the history of judgements made by the various appellate authorities and the necessary advise received from the independent expert engaged in this regard, is of the view that the probability of the case being settled against the Company is remote and accordingly no adjustments to the financial statements are considered necessary in this regard.
- (c) The Assessing Officer for the assessment year 2016-17, had issued a notice u/s 142(1) of the Income-Tax Act, 1961 proposing to disallow the employees contribution to Provident Fund and Employees State Insurance paid beyond the due date specified in the respective acts, but before the due date of filing of Income Tax return for the said assessment year. The Company has filed necessary appeals against the said demand with the Commissioner of Income-Tax (Appeals) which is pending for disposal as at 31 March 2019. The management, on the basis of its internal assessment of the facts of the case, the history of judgements made by the various appellate authorities and the necessary advise received from the independent expert engaged in this regard, is of the view that the probability of the case being settled against the Company is remote and accordingly no adjustments to the financial statements are considered necessary in this regard.
- (d) The Additional Commissioner of Customs, Central Excise & Service Tax has demanded sums aggregating to ₹119.32 in relation to payment of service tax on certain services availed by the Company from non-residents. The Company has filed an appeal against the demands of the Additional Commissioner with the Hon'ble High Court of Telangana. The management, on the basis of assessment of the provisions of the Finance Act, 1994, is of the opinion that these demands are frivolous and not tenable and accordingly has not provided for these demands in the financial statements.

Other pending litigations / contingent liabilities:

- (e) The Hon'ble Supreme Court (SC) has clarified in the case of Vivekananda Vidyamandir and Others Vs The Regional Provident Fund Commissioner (II) West Bengal that various allowances like conveyance allowance, special allowance, education allowance, medical allowance etc., paid uniformly and universally by an employer to its employees shall form part of basic wages for computation of the provident fund contribution. On the basis of internal evaluation, supported by a legal opinion from an independent legal expert, management has determined that the aforesaid ruling is applicable prospectively and, therefore there is no impact of such ruling on the financial statements of the Company.
- (f) During the prior years, the erstwhile Andhra Pradesh State Electricity Transmission authorities (APTRANSCO) had demanded amounts aggregating to ₹223.03 from Andhra Pradesh Gas Power Corporation Limited (APGPCL) towards payment of wheeling charges and surplus power charges in relation to the power supplied by APGPCL to the Company. In lieu of the Company also being the shareholder of APGPCL, the aforesaid amounts had also been demanded from the Company by APGPCL which has been duly paid under protest by the Company. Further, aggrieved by the order of the APTRANSCO, APGPCL has filed appeals with the Hon'ble Supreme Court and Hon'ble High Court of Telangana disputing the levy of wheeling charges and surplus power charges respectively, which is pending final outcome as at March 31, 2019. However, on the basis of assessment of

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

the facts of the case, the management is confident that the amounts paid under protest would be recoverable in full and accordingly no adjustments are deemed necessary to the financial statements in this regard.

- (g) 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 ₹2,981.39.
- (h) During the financial year ended 31 March 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide its 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.

41. Net debt reconciliation

	Current borrowings	Non-current borrowings	Interest accrued
Net debt as on April 1, 2017	15,107.90	3,967.97	16.98
Cash flows (net)	4,754.87	8,008.44	-
For-ex adjustment	57.49	23.81	-
Interest expenses, including interest capitalized	-	-	2,211.82
Interest paid	-	-	(2,223.96)
Net debt as on March 31, 2018	19,920.26	12,000.22	4.84
Cash flows (net)	(4,900.75)	(3,856.77)	-
For-ex adjustment	(113.68)	96.81	-
Interest expenses, including interest capitalized	-	-	2,519.50
Interest paid	-	-	(2,495.33)
Net debt as on March 31, 2019	14,905.83	8,240.26	29.01

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.

(All amounts in ₹ lacs, except for share data or as otherwise stated)

43. Events after reporting period

The Board of Directors had at the meeting held on 16 May 2019, declared a dividend of ₹1.20 per equity share of face value of ₹10/- each (excluding applicable dividend distribution tax), subject to the approval of the shareholders in the ensuing Annual General Meeting.

44. The standalone financial statements are approved for issue by the Company's Board of Directors on May 16, 2019.

This is the Summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

Place: Hyderabad

Date: May 16, 2019

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

Dr. D. R. Rao

Chairman &
Managing Director

DIN 00107737

P. V. Maiya

Director

DIN 00195847

D. Sucheth Rao

Vice Chairman
and CEO

DIN 00108880

Amit Agarwal

Chief Financial
Officer

D. Saharsh Rao

Joint Managing
Director

DIN 02753145

Sarada Bhamidipati

Company Secretary

Place: Hyderabad

Date: May 16, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Neuland Laboratories Limited
Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying Consolidated Financial Statements of Neuland Laboratories Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at March 31, 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the consolidated state of affairs (consolidated financial position) of the Group as at March 31 2019, and its consolidated profit (consolidated financial performance including other comprehensive income), its consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing 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 Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 15 of the Other Matters paragraph below, 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 and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries, 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.
- We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
<p>Carrying value of goodwill</p> <p>Refer note 2(ii)(g) for the accounting policy and note 36 for the financial disclosures in the consolidated financial statements.</p> <p>As at March 31, 2019, the Group's assets include goodwill aggregating to ₹27,946.10 lacs, in accordance with the Scheme of Amalgamation and Arrangement, on account of acquisition of businesses of Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited which were engaged in the business of peptides and contract research services respectively.</p> <p>Goodwill is carried at cost and is tested for impairment, if any, in accordance with Ind AS 36 "Impairment of Assets". As at March 31, 2019, the management has assessed that the value of goodwill will be recovered through future cash flows from the acquired businesses. However, there is potentially a risk that the goodwill will be impaired if the projected cash flows are not met.</p> <p>The impairment review performed by the Company, based on the projected future cash flow, involves use of various significant judgements and estimates such as revenue growth, profit margins, terminal values and the discount rate. Changes in these assumptions could lead to an impairment to the carrying value of goodwill.</p> <p>We identified this as key audit matter for current year audit owing to the materiality of the amounts involved and inherent subjectivity involved in the determination of recoverable value through estimation of future cash flows.</p>	<p>Our audit procedures in relation to testing of impairment of goodwill, included, but were not limited to the following:</p> <ul style="list-style-type: none"> Assessed and tested the design and operating effectiveness of the Group's controls over the recognition of Impairment assessment process. Obtained the Company's impairment analyses and tested the appropriateness of the impairment model and reasonableness of the key assumptions used, including earnings before interest depreciation and amortization, terminal value, selection of discount rate and benchmarking the market-related assumptions used against the external data with the help of valuation experts; Challenged the judgements exercised by the management in respect of the above key assumptions based on our knowledge of the industry and market factors; Compared the prior year budgets with the actual results to determine the efficacy of the management's budgeting process. Further, compared the cash flow forecasts to the latest budgets approved by the Board of Directors; Obtained and evaluated sensitivity analysis performed by the management on aforesaid key assumptions and performed further independent sensitivity analysis to determine impact of estimation uncertainty on the carrying value; and Assessed the appropriateness and adequacy of the related disclosures in the financial statements in accordance with the applicable accounting standards.
<p>Recoverability of Minimum Alternate Tax (MAT) credit asset</p> <p>Refer to note 2(ii)(p) for the accounting policy and note 18 for the financial disclosures in the consolidated financial statements.</p> <p>As at March 31, 2019, the Group has recognized deferred tax asset in the nature of MAT credit aggregating to ₹2,672.26 lacs.</p> <p>Recognition of MAT credit asset requires significant judgement regarding the likelihood of its realization with-in the utilization period through estimate of future taxable profits of the Group and consequently there is a risk that the MAT credit asset may not be realised within the utilization period, if these projections are not met.</p> <p>Management's assessment of recoverability of the MAT credit asset requires estimation of future taxable profits as per the prevalent provisions under the Income Tax Act, 1961 ("IT Act") which involves key assumptions such as revenue growth, profit margins, tax adjustments. These future taxable profits are computed based on the business plan prepared by the management and projected post-tax cash flows of the Group.</p> <p>We identified this as key audit matter for current year audit owing to the materiality of the amounts involved and inherent subjectivity involved in the determination of utilization of MAT credit through estimation of future taxable profits.</p>	<p>Our audit procedures in relation to assessment of MAT credit recognised as at reporting date, included, but were not limited to the following:</p> <ul style="list-style-type: none"> Assessed and tested the design and operating effectiveness of the Group's controls over recognition of the MAT credit. Obtained the Group's analyses for MAT credit realisability involving future projections of taxable profits and tested the reasonableness of the key assumptions used, including growth in profit, gross margins and tax adjustments; Challenged the judgements exercised by the management in respect of the above key assumptions based on our knowledge of the industry; Compared the prior year expected tax profits with the actual results to determine the efficacy of the management's budgeting process; Tested the appropriateness of the forecasted tax liability computation as per the provisions of the IT Act, including assessment of the eligibility of various tax exemptions availed and MAT liability computation as per Section 115JB of the IT Act; Obtained and evaluated sensitivity analysis performed by the management on aforesaid key assumptions and performed further independent sensitivity analysis to determine impact of estimation uncertainty on the future taxable profits; and Assessed the appropriateness and adequacy of the related disclosures in the financial statements in accordance with the applicable accounting standards.

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

7. The Holding 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 Consolidated Financial Statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements under Ind AS. Further, in terms of the provisions of the Act, the respective Board of Directors /management of the companies included in the Group, covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.
8. In preparing the Consolidated Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
9. Those Board of Directors are also responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

10. 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 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.
11. As part of an audit in accordance with Standards on Auditing, 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, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting 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 Group'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 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.
12. 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.
 13. 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.
 14. 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.

Other Matter

15. We did not audit the financial statements of two subsidiaries, whose financial statements reflects total assets of ₹514.22 lacs and net assets of ₹388.70 lacs as at March 31, 2019, total revenues of ₹1,049.04 lacs and net cash inflows amounting to ₹29.19 lacs 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 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, and matters identified and disclosed under key audit matters section above, 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.

Our opinion above on the Consolidated Financial Statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

16. As required by section 197(16) of the Act, based on our audit and on the consideration of the reports of the other auditors, referred to in paragraph 15, on separate financial statements of the subsidiaries, we report that the Holding Company covered under the Act paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act. Further, we report that the provisions of section 197 read with Schedule V to the Act are not applicable to the subsidiary companies as they are not covered under the Act.
17. As required by Section 143 (3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries, 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 purpose 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 Financial Statements 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 Ind AS specified under section 133 of the Act;

- e) on the basis of the written representations received from the directors of the Holding company and 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, 2019 from being appointed as a director in terms of Section 164(2) of the Act;
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, and the operating effectiveness of such controls, refer to our separate report in 'Annexure A'; and
- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements of the subsidiaries:
 - i. the Consolidated Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group, as detailed in Note 40 to the Consolidated Financial Statements;
 - ii. the Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at March 31, 2019;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from November 8, 2016 to December 30, 2016, which are not relevant to these Consolidated Financial Statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No.: 207660

Place: Hyderabad

Date: May 16, 2019

Annexure A to the Independent Auditor's Report

of even date to the members of Neuland Laboratories Limited on the consolidated financial statements for the year ended March 31, 2019

Independent Auditor's 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 Neuland Laboratories Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), as at and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company as at date. Further, as all the subsidiaries of the Holding Company are located outside India, the provisions of clause (i) of sub-section 3 of Section 143 of the Act are not applicable to them.

Management's Responsibility for Internal Financial Controls

1. The Board of Directors of the Holding Company, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("the Guidance Note") 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 the company's business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

2. Our responsibility is to express an opinion on the IFCoFR of the Holding Company based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
3. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

4. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company.

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

6. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

7. In our opinion the Holding Company have in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at March 31, 2019 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

Place: Hyderabad

Date: May 16, 2019

CONSOLIDATED BALANCE SHEET as at March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

	Notes	As at March 31, 2019	As at March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	23,041.81	16,376.23
Capital work-in progress	35	10,447.37	12,609.45
Investment property	35	2,981.39	2,981.39
Goodwill	36	27,946.10	27,946.10
Other intangible assets	4	180.70	178.44
Financial assets			
(i) Investments	5	39.92	40.02
(ii) Loans	6	312.63	304.94
Non-current tax assets		891.06	943.29
Other non-current assets	7	1,846.82	1,040.23
Total non-current assets		67,687.80	62,420.09
Current assets			
Inventories	8	19,265.42	17,508.79
Financial assets			
(i) Investments	5	750.00	750.00
(ii) Trade receivables	9	16,401.97	19,392.27
(iii) Cash and cash equivalents	10	793.77	328.79
(iv) Bank balances other than (iii) above	11	2,990.67	1,396.81
(v) Other financial assets	12	552.04	395.64
Other current assets	7	4,593.57	4,946.99
Total current assets		45,347.44	44,719.29
Total assets		113,035.24	107,139.38
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13	1,290.05	895.49
Other equity	14	68,640.73	23,823.80
Equity suspense account	36	-	31,084.99
Total equity		69,930.78	55,804.28
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	15	6,071.54	10,348.82
Provisions	17	1,191.33	987.00
Deferred tax liabilities (net)	18	1,115.45	1,278.77
Other non-current liabilities	20	2,028.00	2,028.00
Total non-current liabilities		10,406.32	14,642.59
Current liabilities			
Financial liabilities			
(i) Borrowings	15	14,905.83	19,920.26
(ii) Trade payables	19		
- total outstanding dues of micro & small enterprises		122.03	26.23
- total outstanding dues of creditors other than micro & small enterprises		12,106.99	12,403.26
(iii) Other financial liabilities	16	3,731.20	3,013.64
Other current liabilities	20	1,752.44	1,169.66
Provisions	17	79.65	159.46
Total current liabilities		32,698.14	36,692.51
Total liabilities		43,104.46	51,335.10
Total equity and liabilities		113,035.24	107,139.38

The accompanying notes referred to above form an integral part of the consolidated financial statements

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker Chandio & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

Place: Hyderabad

Date: May 16, 2019

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

Dr. D. R. Rao

Chairman &
Managing Director
DIN 00107737

P. V. Maiya

Director
DIN 00195847

D. Sucheth Rao

Vice Chairman
and CEO
DIN 00108880

Amit Agarwal

Chief Financial
Officer

D. Saharsh Rao

Joint Managing
Director
DIN 02753145

Sarada Bhamidipati

Company Secretary

Place: Hyderabad

Date: May 16, 2019

CONSOLIDATED STATEMENT OF PROFIT AND LOSS For the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

	Notes	For the year ended March 31, 2019	For the year ended March 31, 2018
Income			
Revenue from operations	21	66,682.95	52,916.15
Other income	22	349.20	453.48
Total income		67,032.15	53,369.63
Expenses			
Cost of materials consumed	23	36,044.19	28,109.42
Excise duty		-	175.47
Changes in inventories of finished goods and work-in-progress	24	580.08	(4,272.41)
Employee benefits expense	25	11,045.60	10,298.62
Finance costs	26	1,566.31	1,892.84
Depreciation and amortisation expenses	3 & 4	2,586.26	2,210.35
Manufacturing expenses	27	7,691.36	8,149.10
Other expenses	28	5,484.62	5,412.80
Total expenses		64,998.42	51,976.19
Profit before tax		2,033.73	1,393.44
Tax expense	29		
Current tax		556.96	427.00
Deferred tax benefit		(167.39)	(239.85)
Profit for the year		1,644.16	1,206.29
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		23.08	27.28
Equity instruments through other comprehensive income		(0.09)	1.70
Tax on items that will not be reclassified to profit or loss		(7.99)	(9.44)
Items that will be reclassified to profit or loss			
Exchange differences in translating the financial statements of foreign operations		16.77	16.77
Total comprehensive income for the year		1,675.93	1,242.60
Earnings per equity share [EPES] (in absolute ₹ terms)			
Par value per share	30	10	10
Basic EPES		13.06	10.81
Diluted EPES		13.06	10.81

The accompanying notes form an integral part of these consolidated financial statements.

This is the Consolidated Statement of Profit and loss referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain
Partner
Membership No: 207660

Place: Hyderabad
Date: May 16, 2019

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Company Secretary

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Date: May 16, 2019

CONSOLIDATED CASH FLOW STATEMENT For the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

	For the year ended March 31, 2019	For the year ended March 31, 2018
Cash flow from operating activities		
Profit before tax	2,033.73	1,393.44
Adjustments:		
Depreciation and amortisation expense	2,586.26	2,210.35
Interest income	(249.60)	(78.91)
Loss on sale of fixed assets	13.05	16.51
Finance costs	1,566.31	1,892.84
Unrealised foreign exchange (gain)/loss, net	(150.62)	(115.26)
Unrealised (gain) / loss on forward contracts	(2.37)	(2.28)
Provision towards doubtful trade receivables	-	34.80
Provision for employee benefits	147.60	85.23
Operating cash flows before working capital changes	5944.36	5,436.72
Changes in loans	(7.69)	2.45
Changes in other non-current assets	(550.78)	124.26
Changes in inventories	(1,756.63)	(3,997.52)
Changes in trade receivables	3153.63	(1,225.10)
Changes in other current assets	353.42	(1,368.20)
Changes in trade payables	(218.36)	3,861.57
Changes in other financial assets	(50.96)	(120.91)
Changes in other financial liabilities	41.61	8.71
Changes in other current liabilities	582.78	(1,287.18)
Cash generated from operating activities	7,491.38	1,434.81
Income-taxes paid, net	(500.66)	(308.02)
Net cash generated from operating activities (A)	6,990.72	1,126.79
Cash flows from investing activities		
Purchase of property, plant and equipment and other intangible assets	(6,311.19)	(13,359.78)
Proceeds from sale of property, plant and equipment	37.97	93.61
Advance for sale of investment property	-	2,028.00
Movement in other bank balances	(1,593.88)	(492.01)
Interest income received	144.16	101.46
Net cash used in investing activities (B)	(7,722.94)	(11,628.72)
Cash flows from financing activities		
Proceeds from issue of equity shares	12,450.58	-
Proceeds from short-term borrowings, net	(4,900.75)	4,812.36
Proceeds from long-term borrowings	1,303.57	10,723.86
Repayment of long-term borrowings	(5,160.35)	(2,826.58)
Interest paid	(2,495.33)	(2,224.67)
Net cash generated from financing activities (C)	1,197.72	10,484.97
Net decrease / (increase) in cash and cash equivalents during the year (A + B + C)	465.50	(16.96)
Cash and cash equivalents at the beginning of the year	328.79	344.29
Effect of exchange rate changes on cash and cash equivalents	(0.52)	1.46
Cash and cash equivalents at the end of the year (Note 1)	793.77	328.79

Note 1

	For the year ended March 31, 2019	For the year ended March 31, 2018
Cash and cash equivalents includes		
Balances with banks in current accounts	789.60	324.52
Cash on hand	4.17	4.27
	793.77	328.79

This is the Consolidated Cash Flow statement referred to in our report of even date

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

Place: Hyderabad

Date: May 16, 2019

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Sarada Bhamidipati

Company Secretary

Place: Hyderabad

Date: May 16, 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2019
(All amounts in ₹ lacs, except for share data or as otherwise stated)

A: Equity Share Capital	Number of shares	Amount*
As at April 01, 2017	8,884,254	895.49
Changes in equity share capital	-	-
As at March 31, 2018	8,884,254	895.49
Changes in equity share capital	3,945,635	394.56
As at March 31, 2019	12,829,889	1,290.05

*Includes ₹7.06 received towards forfeiture of equity shares during the earlier years.

B. Other Equity

	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	Total	
Balance as at April 1, 2017	3.32	6,636.34	2,789.65	83.89	13,050.55	42.67	5.29	(30.51)	22,581.20	
Profit for the year	-	-	-	-	1,206.29	-	-	-	1,206.29	
Other comprehensive income	-	-	-	-	-	1.70	16.77	27.28	45.75	
Income tax relating to items of OCI	-	-	-	-	-	-	-	(9.44)	(9.44)	
Balance as at March 31, 2018	3.32	6,636.34	2,789.65	83.89	14,256.84	44.37	22.06	(12.67)	23,823.80	
Profit for the year	-	-	-	-	1,644.16	-	-	-	1,644.16	
Premium on issue net of share issue expenses of ₹111.92	-	43,141.01	-	-	-	-	-	-	43,141.01	
Other comprehensive income	-	-	-	-	-	(0.09)	16.77	23.08	39.76	
Income tax relating to items of OCI	-	-	-	-	-	-	-	(7.99)	(7.99)	
Balance as at March 31, 2019	3.32	49,777.35	2,789.65	83.89	15,901.00	44.28	38.83	2.42	68,640.73	

This is Consolidated Statement of Changes in Equity referred to in our report of even date

For Walker Chandiook & Co LLP

Chartered Accountants
Firm's Registration No.: 001076/N/500013

Sanjay Kumar Jain
Partner

Membership No.: 207660

For and on behalf of the Board of Directors of Neuland Laboratories Limited

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Sarada Bhamidipati
Company Secretary

Place: Hyderabad
Date: May 16, 2019

Place: Hyderabad
Date: May 16, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

for the year ended March 31, 2019

1. General information

Neuland Laboratories Limited ("the Company") is a public company domiciled in India and incorporated in accordance with the provisions of the erstwhile Companies Act, 1956. 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. Its shares are listed on two recognised stock exchanges of India, 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.

2. Basis of preparation

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 the Companies (Indian Accounting Standards) Rules 2015 issued by Ministry of Corporate Affairs ('MCA'). The Group has uniformly applied the accounting policies during the periods presented.

These 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 March 31, 2019.

These 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; and
- 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 March 31	
		2019	2018
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 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 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 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 financial statements is included in the following notes:

- Note (e), (f) and (g) — Useful lives of property, plant and equipment, investment properties, goodwill and other intangible assets;
- Note (i) – Impairment;
- Note (k) — Financial instruments;
- Note (m) — Employee benefits
- Note (o) – Provisions, contingent liabilities and contingent assets; and
- Note (p) — Income taxes

(ii) Summary of significant accounting policies

The financial statements have been prepared using the accounting policies and measurement basis summarized below.

a. Functional currency

The 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 lacs, 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.

c. 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.

d. Revenue recognition

The Group derives revenues primarily from sale of active pharmaceutical ingredients and contract research services.

The Group has adopted Ind AS 115 - Revenue from Contracts with Customers, using modified retrospective application method with effect from April 1, 2018 and accordingly these financial statements are prepared in accordance with the recognition and measurement principles laid down in Ind AS 115. Also, the application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial statements of the Group.

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 Group expects to receive in exchange for those products or services.

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.

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.

Other operating revenue - Export incentives

Export Incentives under various schemes are accounted in the year of export.

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 at amortised cost, interest income is recorded using the effective interest rate (EIR) method.

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.

e. Property, plant and equipment (PPE)

Recognition and measurement

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.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Any gain or loss on disposal of an item of PPE is recognised in statement of profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation on items of PPE is provided on the straight-line method, computed on the basis of useful lives as estimated by the management which coincides with the useful lives mentioned in Schedule II to the Companies Act, 2013.

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 residual values, useful lives and method of depreciation of are reviewed at each financial year-end and adjusted prospectively, if appropriate.

f. Investment properties

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 its carrying amount on the date of reclassification.

g. Goodwill and other intangible assets

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment. Other intangible assets comprising of computer software expenditure is amortized over a period of three years. Goodwill arising on business combination is recorded at excess of the consideration paid over the fair value of the net assets taken-over and is subsequently measured at cost less accumulated impairment losses, if any.

h. Leases

A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as finance lease. All other leases are classified as operating leases.

Operating lease payments are generally recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which the benefits accrue. Contingent rentals arising under operating leases are also recognised as expenses in the periods in which they are incurred.

i. 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.

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.

j. Inventories

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

k. Financial instruments

Recognition and initial 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.

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 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, which are subject to an insignificant risk of changes in value.

Dividend distribution to equity holders of the Company

The Group recognises a liability to make dividend distributions to equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. 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.

l. 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.

m. 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 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.

n. 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 income are recognized in statement of profit and loss as other income.

o. 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.

p. Income 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.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period and any adjustment to tax payable in respect of previous years. 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.

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.

Minimum Alternate Tax ('MAT') credit is recognised as deferred tax asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

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 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.

r. 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) Standards, not yet effective and have not been adopted early by the Group

a) Ind AS 116, Leases:

Ind AS 116 removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability (the obligation to pay rentals). An optional exemption exists for short-term and low value leases. The standard may not have a significant impact on the Group's financial statements considering the number of assets under operating lease arrangement as at March 31, 2019. On implementation of Ind AS 116, the operating lease charges will be replaced with interest and depreciation expenses. These changes will affect key ratios like profit margin, operating margin, EBITDA margin etc. Further, operating cash flows will be higher as cash payments for the principal portion of the lease liability will be classified within financing activities.

The effect on adoption of Ind AS 116 would be insignificant in the consolidated financial statements.

b) Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments:

On March 30, 2019, the Ministry of Corporate Affairs has notified Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount of the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition:

- Full retrospective approach – Under this approach Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight, and
- Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives

The Group is currently assessing the detailed financial impact of this standard on its consolidated financial statements.

c) Amendment to Ind AS 12, Income Taxes:

On March 30, 2019, the Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, Income Taxes, in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Group is currently evaluating the effect of this amendment on the consolidated financial statements.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

3. Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Lab equipments	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
As at April 1, 2017	245.81	5,841.22	9,668.03	754.82	20.80	75.84	540.30	195.51	17,342.33
Additions	-	474.97	1,791.87	366.42	7.88	15.65	284.25	183.89	3,124.93
Disposals/retirement	-	-	71.19	54.63	-	-	228.21	22.47	376.51
Balance as at March 31, 2018	245.81	6,316.19	11,388.71	1,066.61	28.68	91.49	596.34	356.93	20,090.75
Additions	828.47	2,215.07	5,408.33	412.00	26.61	60.23	163.20	89.26	9,203.17
Disposals/retirement	-	-	24.63	-	-	-	80.47	0.74	105.84
Balance as at March 31, 2019	1,074.28	8,531.26	16,772.41	1,478.61	55.29	151.72	679.07	445.45	29,188.08
Accumulated depreciation									
Up to March 31, 2017	-	245.77	1,265.60	185.14	2.28	10.24	84.66	53.13	1,846.82
Charge for the year	-	252.47	1,527.42	158.94	8.60	10.23	130.85	45.58	2,134.09
Adjustments for disposals/retirement	-	-	62.60	45.85	-	-	136.60	21.35	266.39
Balance as at March 31, 2018	-	498.24	2,730.42	298.23	10.88	20.47	78.91	77.36	3,714.52
Charge for the year	-	309.48	1,671.32	262.82	8.74	13.14	128.52	92.92	2,486.94
Adjustments for disposals/retirement	-	-	13.52	-	-	-	41.25	0.41	55.18
Balance as at March 31, 2019	-	807.72	4,388.22	561.05	19.62	33.61	166.18	169.87	6,146.27
Net book value as at March 31, 2018	245.81	5,817.95	8,658.29	768.38	17.80	71.02	517.43	279.57	16,376.23
Net book value as at March 31, 2019	1,074.28	7,723.54	12,384.19	917.56	35.67	118.11	512.89	275.58	23,041.81

Note: 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: 40(h).

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

4. Other intangible assets

	Computer Software	Total
As at April 1, 2017	185.39	185.39
Additions	122.78	122.78
Balance as at March 31, 2018	308.17	308.17
Additions	101.58	101.58
Balance as at March 31, 2019	409.75	409.75
Accumulated amortization		
Up to April 1, 2017	53.47	53.47
Charge for the year	76.26	76.26
Balance as at March 31, 2018	129.73	129.73
Charge for the year	99.32	99.32
Balance as at March 31, 2019	229.05	229.05
Net carrying amount		
Net book value as at March 31, 2018	178.44	178.44
Net book value as at March 31, 2019	180.70	180.70

5. Investments

	As at March 31, 2019	As at March 31, 2018
Non-current		
I Investments in equity instruments, unquoted, fully paid up		
<i>Investment in other at FVTOCI</i>		
2,200 (March 31, 2018: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (March 31, 2018: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91
	23.11	23.11
II Investments in Government securities, at FVTOCI	1.61	1.61
III Investment in mutual funds, unquoted, at FVTOCI		
100,000 (March 31, 2018: 100,000) units of ₹10 each in SBI Mutual Fund	15.20	15.30
Total investments (I+II+III)	39.92	40.02
Current		
<i>Investment in other at FVTOCI</i>		
402,000 (March 31, 2018: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	750.00	750.00
Note:		
Aggregate amount of quoted investments and market value thereof	-	-
Aggregate book value of unquoted investments	738.76	738.76
Aggregate amount of impairment in the value of investments	-	-

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

6. Loans

	As at March 31, 2019	As at March 31, 2018
(Unsecured, considered good)		
Non-current		
Security deposits	312.63	304.94
	312.63	304.94

7. Other assets

	As at March 31, 2019	As at March 31, 2018
Non-current		
Capital Advances	274.55	18.74
Balances with government authorities	1,572.27	999.19
Other receivables	-	22.30
	1,846.82	1,040.23
Current		
Prepaid expenses	577.48	492.93
Balances with government authorities	1,828.19	2,518.41
Advance to suppliers	869.48	1,065.50
Export benefits receivable	839.49	739.52
Other advances	478.93	130.62
	4,593.57	4,946.99

8. Inventories (at lower of cost or net realisable value)

	As at March 31, 2019	As at March 31, 2018
Raw materials [including goods in transit of ₹643.70 (March 31, 2018: ₹401.07)]	4,555.14	3,087.22
Work-in-progress	10,113.50	9,411.66
Finished goods	3,965.66	4,360.38
Stores and consumables	631.12	649.53
	19,265.42	17,508.79

9. Trade receivables

	As at March 31, 2019	As at March 31, 2018
Unsecured, Considered Good	16,401.97	19,392.27
Unsecured, receivables with significant increase in credit risk	351.40	379.19
	16,753.37	19,771.46
Less: Allowance for trade receivables	(351.40)	(379.19)
	16,401.97	19,392.27

10. Cash and cash equivalents

	As at March 31, 2019	As at March 31, 2018
Balances with banks in current accounts	789.60	324.52
Cash on hand	4.17	4.27
	793.77	328.79

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

11. Bank balances other than cash and cash equivalents

	As at March 31, 2019	As at March 31, 2018
Unpaid dividend account	8.25	8.27
Deposits with a maturity period of over 3 months but less than 12 months*	2,982.42	1,388.54
	2,990.67	1,396.81

* Represents deposits amounting to ₹1,382.42 (March 31, 2018: ₹1,388.54) held as margin money with banks.

12. Other financial assets

	As at March 31, 2019	As at March 31, 2018
Current		
Interest accrued but not due on bank deposits	369.50	264.06
Unbilled revenue	182.54	131.58
	552.04	395.64

13. Equity share capital

	As at March 31, 2019		As at March 31, 2018	
	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	90,77,799	907.78
Subscribed share capital				
Equity shares of ₹10 each	1,29,33,165	1,293.32	89,87,530	898.75
Fully paid-up share capital				
Equity shares of ₹10 each	1,28,29,889	1,282.99	88,84,254	888.43
Add: Forfeited equity shares of ₹10 each	1,03,276	7.06	1,03,276	7.06
	1,290.05		895.49	

i. Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	As at March 31, 2019		As at March 31, 2018	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	88,84,254	888.43	88,84,254	888.43
Add: Shares issued pursuant to Scheme of Amalgamation (Refer note 36)	22,70,635	227.06	-	-
Add: Issued during the year*	16,75,000	167.50	-	-
Balance at the end of the year	1,28,29,889	1,282.99	88,84,254	888.43

*During the year under review, the Company has allotted of 1,675,000 equity shares of ₹10 each at a premium of ₹740.00 per share through Qualified Institutional Placement in accordance with provisions of Chapter VIII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, pursuant to the approval accorded by the shareholders in the extra-ordinary general meeting on May 11, 2018.

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 dividend proposed by the Board of Directors is subject to prior consent from consortium and the approval of the shareholders in the ensuing general meeting. 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.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

iii. Details of shareholders holding more than 5% equity shares in the Company

Name of the equity shareholders	As at March 31, 2019		As at March 31, 2018**	
	Number	% holding	Number	% holding
Dr. D R Rao	3,178,262	24.77%	3,178,262	28.49%
Malabar India Fund Limited	1,277,096	9.95%	920,150	8.25%
Steadview Capital Mauritius Limited	1,270,159	9.90%	635,817	5.70%
Davuluri Vijaya Rao*	NA	NA	613,338	5.50%

*Equity shares held by Davuluri Vijaya Rao as at March 31, 2019, were less than five percent of the paid-up equity share capital of the Company, hence the relevant disclosure is not applicable.

**The above disclosure represents details of shareholders holding more than five percent equity shares post giving effect to the Scheme of Amalgamation and Arrangement duly approved by NCLT, as detailed in note 36.

14. Other equity	As at	As at
	March 31, 2019	March 31, 2018
Reserves and surplus		
Capital reserve	3.32	3.32
Securities premium	49,777.35	6,636.34
General reserve	2,789.65	2,789.65
Revaluation reserve	83.89	83.89
Retained earnings	15,901.00	14,256.84
Total reserves and surplus	68,555.21	23,770.04
Other comprehensive income		
FVOCI - Equity instruments, net of taxes	44.27	44.37
Foreign currency translation reserve	38.83	22.06
Remeasurement of defined benefit plan, net of taxes	2.42	(12.67)
Total Other comprehensive income	85.52	53.76
	68,640.73	23,823.80

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.

*(All amounts in ₹ lacs, except for share data or as otherwise stated)***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 obligations

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.

15.

	As at March 31, 2019	Borrowings As at March 31, 2018
Non-current		
Secured		
Term loans		
From banks	5,451.90	11,750.14
From other parties	2,701.27	187.49
Other loans		
From banks	41.12	6.65
From other parties	45.96	55.94
	8,240.25	12,000.22
Less: Current maturities of long-term borrowings	2,168.71	1,651.40
	6,071.54	10,348.82

a. Terms and conditions of loans and nature of security

- (i) Term loans outstanding to the tune of ₹Nil (March 31, 2018: ₹828.98) was secured by first charge on fixed assets and equitable mortgage of land and buildings situated at Bonthapally Village, Jinnaram Mandal, Medak District on first pari passu basis along with other Banks. The loan was repayable in 20 quarterly installments commencing from June 2017, however during the year, the Company had prepaid the loan during the year
- (ii) Term loans outstanding to the tune of ₹400.00 (March 31, 2018: ₹640.00) is 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. The loan is repayable in 18 quarterly installment commencing from September 2016.
- (iii) Term loans outstanding to the tune of ₹ 4,331.57 (March 31, 2018: ₹8,813.00) is 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. The loan is repayable in 28 quarterly installment commencing from March 2019.
- (iv) Term loans outstanding to the tune of ₹697.58 (March 31, 2018: ₹1,350.57) is secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge on current assets of the Company. The loan is repayable in 29 monthly installments commencing from 8 September 2017.
- (v) Term loans outstanding to the tune of ₹2,500.00 (March 31, 2018: ₹ Nil) is 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. The loan is repayable in 28 quarterly installment commencing from April 2019.
- (vi) All the above term loan from banks are also secured by way of personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao.
- (vii) Vehicles loans outstanding to the tune of ₹311.11 (March 31, 2018: ₹367.67) are secured by hypothecation of specific vehicles against which the loan is availed. Vehicle loans are repayable in instalments ranging from 35 to 84 months from the date of the loan.
- (viii) All the above loans carry interest in the range of 6.70% to 12.50% per annum (March 31, 2018: 6.70% to 12.50% per annum).

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

(ix) Details of repayment of non current borrowings

	As at March 31, 2019	As at March 31, 2018
Up to 1 year	2,168.71	1,651.40
From 1 to 3 years	2,310.57	4,214.77
3 years and above	3,760.98	6,134.05
	8,240.26	12,000.22
	As at March 31, 2019	As at March 31, 2018
Current		
Secured loans from banks	14,905.83	19,920.26
	14,905.83	19,920.26

- (i) Loans outstanding represent cash credit, packing credit and foreign bill discounting facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 4.41% to 12.50% (March 31, 2018: 3.42% to 12.05% per annum)
- (ii) Loans 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 fixed assets with all working capital lenders and personal guarantees extended by Dr. D.R.Rao and Mr. D. Sucheth Rao. The pari passu charge on 200,000 equity shares of the Company held by Dr. D R Rao, in favour of the lenders.

16. Other financial liabilities

	As at March 31, 2019	As at March 31, 2018
Current		
Current maturities of long-term debt (refer note 15)	2,168.71	1,651.40
Interest accrued but not due	29.01	4.84
Unclaimed dividends	8.25	8.27
Creditors for capital goods	690.04	555.57
Employee related liabilities	579.75	331.78
Accrual for expenses	255.44	461.78
	3,731.20	3,013.64

17.

		Provisions
	As at March 31, 2019	As at March 31, 2018
Non-current		
Gratuity (refer note a)	990.68	846.29
Compensated absences	200.65	140.71
	1,191.33	987.00
Current		
Gratuity (refer note a)	42.35	91.42
Compensated absences	37.30	68.04
	79.65	159.46

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

(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). 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 upto 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.

(i) Change in projected benefit obligation

	As at March 31, 2019	As at March 31, 2018
Projected benefit obligation at the beginning of the year	959.60	858.71
Service cost	103.48	119.06
Interest cost	72.09	64.41
Actuarial (gain) / loss	(23.61)	(25.75)
Benefits paid	(72.76)	(56.83)
Projected benefit obligation at the end of the year	1,038.80	959.60

(ii) Change in plan assets

	As at March 31, 2019	As at March 31, 2018
Fair value of plan assets at the beginning of the year	21.89	20.08
Value adjustment	(4.99)	(0.08)
Expected return on plan assets	1.69	1.53
Employer contributions	65.99	45.49
Benefits paid	(61.50)	(45.13)
Fair value of plan assets at the end of the year	23.08	21.89

(iii) Reconciliation of present value of obligation on the fair value of plan assets

	As at March 31, 2019	As at March 31, 2018
Present value of projected benefit obligation at the end of the year	1,038.80	959.60
Funded status of the plans	(23.08)	(21.89)
Net liability recognised in the balance sheet	1,015.72	937.71

(iv) Expense recognized in the statement of profit and loss

	March 31, 2019	March 31, 2018
Service cost	103.48	119.06
Interest cost	72.09	64.41
Expected returns on plan assets	(1.69)	(1.53)
Net gratuity costs	173.88	181.94

(v) Expense recognized in OCI

	March 31, 2019	March 31, 2018
Recognized net actuarial (gain)/ loss	(23.08)	(27.28)
	(23.08)	(27.28)

(vi) Key actuarial assumptions

	As at March 31, 2019	As at March 31, 2018
Discount rate	7.60%	7.72%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	4.00%	4.00%

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

(vii) Sensitivity Analysis

	As at March 31, 2019	As at March 31, 2018
Impact on defined benefit obligation	1,038.80	959.60
Delta effect of +1% change in discount rate	975.43	902.79
Delta effect of -1% change in discount rate	1,109.94	1,023.13
Delta effect of +1% change in salary escalation rate	1,113.05	1,063.91
Delta effect of -1% change in salary escalation rate	971.43	869.30

(viii) Maturity analysis of projected benefit obligation

	As at March 31, 2019	As at March 31, 2018
1 year	60.80	51.70
2 to 5 years	443.74	169.19
6 to 10 years	431.26	214.40
More than 10 years	102.99	524.32

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.

18. Deferred tax liabilities (net)

	As at March 31, 2019	As at March 31, 2018
Deferred tax liabilities arising on account of :		
Property, plant and equipment and Goodwill	8,075.59	6,455.06
Deferred tax assets arising on account of :		
MAT credit	(2,672.26)	(2,127.91)
Employee benefits	(618.76)	(562.73)
Provision for trade receivables and advances	(122.79)	(131.23)
Unabsorbed business losses	(2,873.49)	(1,686.69)
Investment properties	(673.03)	(666.56)
Others	0.19	(1.17)
Deferred tax liabilities, net	1,115.45	1,278.77

- (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 MAT credit and 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 differences of MAT credit and 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 Group's ability to recover the deferred tax asset.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

19. Trade payables

	As at March 31, 2019	As at March 31, 2018
Dues to micro and small enterprises	122.03	26.23
Others	12,106.99	12,403.26
	12,229.02	12,429.49

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:

	As at March 31, 2019	As at March 31, 2018
The principal amount remaining unpaid as at the end of the year	122.03	26.23
The amount of interest accrued and remaining unpaid at the end of the year	-	-
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)	-	-

20. Other current liabilities

	As at March 31, 2019	As at March 31, 2018
Non-current		
Advance from customers (Refer note 35)	2,028.00	2,028.00
	2,028.00	2,028.00
Current		
Advance from customers	1,481.17	881.65
Statutory liabilities	271.27	288.01
	1,752.44	1,169.66

21. Revenue from operations

	For the year ended March 31, 2019	For the year ended March 31, 2018
Sale of products	62,275.17	48,990.24
Sale of services	1,556.84	2,169.58
Other operating revenue		
Sale of impurities	301.86	176.42
Export incentives	2,084.93	1,463.78
Scrap sales	464.15	116.13
	66,682.95	52,916.15

Revenue disaggregation as per geography has been included in segment information (Refer note 37).

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 ₹450.63, 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 ₹182.54 as at March 31, 2019.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

22. Other income

	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest income	249.60	78.91
Incentive under market access initiative scheme	62.19	97.07
Other non-operating income	37.41	277.50
	349.20	453.48

23. Cost of raw materials consumed

	For the year ended March 31, 2019	For the year ended March 31, 2018
Raw material at the beginning of the year	3,087.22	3,517.12
Add: Purchases during the year*	37,512.11	27,679.52
Less: Raw material at the end of the year	4,555.14	3,087.22
	36,044.19	28,109.42

*Disclosed based on derived figures, rather than actual records of issue.

24. Changes in inventories of finished goods and work-in-progress

	For the year ended March 31, 2019	For the year ended March 31, 2018
Opening stock		
- Finished goods	4,360.38	3,824.64
- Work-in-progress	9,411.66	5,674.99
	13,772.04	9,499.63
Closing balance		
- Finished goods	3,965.66	4,360.38
- Work-in-progress	10,113.50	9,411.66
	14,079.16	13,772.04
- Less: Trial run inventory	(887.20)	-
	580.08	(4,272.41)

25. Employee benefits expense

	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries and wages	9,924.71	9,188.86
Contribution to provident and other funds	396.01	400.96
Gratuity expense	173.88	181.94
Staff welfare expenses	551.00	526.85
	11,045.60	10,298.62

(a) During the year ended March 31, 2019, the Company contributed ₹374.09 (March 31, 2018: ₹368.42) to provident fund and ₹21.92 (March 31, 2018: ₹32.54) towards employee state insurance fund.

26. Finance costs

	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest expense	1,944.38	1,625.66
Other borrowing costs	575.12	586.87
	2,519.50	2,212.53
Less: Borrowing costs capitalized *	(953.19)	(319.69)
	1,566.31	1,892.84

* The Company has capitalised borrowing costs with respect to its qualifying assets. The rate for capitalisation of borrowing cost was approximately 9.55% (March 31, 2018: 9.50%) .

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

27. Manufacturing expenses

	For the year ended March 31, 2019	For the year ended March 31, 2018
Consumption of stores and spare parts	2,547.76	3,332.47
Power and fuel	2,681.16	2,595.44
Carriage inwards	77.32	97.60
Repairs and maintenance		
- Buildings	212.46	148.55
- Plant and equipment	690.79	483.24
- Others	694.68	610.82
Effluent treatment and testing charges	528.43	654.61
Consumption of packing material	258.76	226.37
	7,691.36	8,149.10

28. Other expenses

	For the year ended March 31, 2019	For the year ended March 31, 2018
Rent	255.43	255.70
Corporate Social Responsibility ('CSR') expenditure (refer note ii below)	2.00	23.16
Rates and taxes	116.34	208.12
Travelling and conveyance	1,069.52	1,035.26
Legal and professional fees (refer note i below)	998.42	1,514.41
Insurance	268.77	273.11
Advertisement and subscription expense	307.46	68.78
Sales promotion expenses including commission	873.47	746.32
Freight and forwarding charges	646.89	588.49
Provision for doubtful debts and advances, net	-	34.80
Foreign exchange loss, net	518.68	51.34
Loss on sale of assets, net	13.05	16.51
Directors commission	15.00	15.00
Sitting fees	25.70	30.30
Miscellaneous expenses	373.89	551.51
	5,484.62	5,412.80

(i) Details of payments to auditors included in legal and professional fees:

	For the year ended March 31, 2019	For the year ended March 31, 2018
As auditor:		
- Audit fee, including tax audit *	37.40	60.90
- Certifications	0.60	2.10
- Reimbursement of expenses	0.30	1.23
	38.30	64.23

* includes ₹Nil (March 31, 2018: ₹10), towards audit of Ind-AS adjustments carried out to the balances as at April 1, 2016 and for the year ended and as at March 31, 2017 and excludes ₹31 (March 31, 2018: ₹Nil) adjusted against the securities premium.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

(ii) Details of CSR expenditure :

	For the year ended March 31, 2019	For the year ended March 31, 2018
(a) Gross amount required to be spent by the Company during the year	69.87	93.18
(b) Amount spent during the year (in cash) on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above	2.00	23.16
Amount remaining to be spent	67.87	70.02

	Income tax	
	For the year ended March 31, 2019	For the year ended March 31, 2018
Income tax expense recognised in the statement of profit and loss consists of the following:		
Current income tax	556.96	427.00
Deferred tax benefit	(167.39)	(239.85)
Total tax expense for the year	389.57	187.15

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 34.944% (March 31, 2018: 34.608%) 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

	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit before tax	2,033.73	1,393.44
Tax rate applicable to the Company	34.94%	34.61%
Estimated tax expense on profit	710.67	482.24
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Weighted deduction under section 35(2AB)	(375.51)	(306.54)
Impact of change in tax rate	37.26	-
Impact of foreign taxes	2.85	0.30
Expenses disallowed	14.30	20.07
Others	-	(8.92)
Income tax expense	389.57	187.15

30. Earnings per share (EPS)

	For the year ended March 31, 2019	For the year ended March 31, 2018
(a) Profit attributable to equity shareholders	1,644.16	1,206.29
(b) Computation of weighted average number of equity shares:		
Weighted average number of equity shares outstanding during the year*	12,586,670	11,154,889
Add: Effect of potential dilutive shares	-	-
Weighted average number of equity shares adjusted for the effect of dilution	12,586,670	11,154,889
(c) Earnings per equity share (in absolute ₹) :		
Basic	13.06	10.81
Diluted	13.06	10.81

* Weighted average number of shares considered for the year ended March 31, 2019 and March 31, 2018 includes 2,270,635 equity shares of ₹10 each issued pursuant to the Scheme of Amalgamation, as referred in Note 36, from the beginning of the financial years.

(All amounts in ₹ lacs, except for share data or as otherwise stated)

31. 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

	As at March 31, 2019		As at March 31, 2018	
	Level 1	Level 2	Level 1	Level 2
Financial assets / (liabilities)				
Investments	15.20	774.72	15.30	774.72
Derivatives - Forward contracts	-	2.37	-	2.28

(iii) Financial instruments by category

For amortised cost instruments, carrying value represents the best estimate of fair value.

	March 31, 2019		March 31, 2018	
	FVTOCI	Amortised cost	FVTOCI	Amortised cost
Financial assets				
Investments	789.92	-	790.02	-
Loans	-	312.63	-	304.94
Trade receivables	-	16,401.97	-	19,392.27
Cash and cash equivalents	-	793.77	-	328.79
Other bank balances	-	2,990.67	-	1,396.81
Other financial assets	-	552.04	-	395.64
Total financial assets	789.92	21,051.08	790.02	21,818.45

	March 31, 2019		March 31, 2018	
	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial liabilities				
Borrowings	-	23,146.08	-	31,920.48
Trade payables	-	12,229.02	-	12,429.49
Other financial liabilities	-	1,562.49	-	1,362.24
Total financial liabilities	-	36,937.59	-	45,712.21

(All amounts in ₹ lacs, except for share data or as otherwise stated)

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.

32. 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 March 31, 2019 and March 31, 2018. 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:

Particulars	March 31, 2019	March 31, 2018
Fixed rate instruments		
Financial assets	2,982.42	1,388.54
Financial liabilities	311.11	367.67
Variable rate instruments		
Financial liabilities	22,834.98	31,552.81

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 ₹114.17 and ₹157.76 for the year ended March 31, 2019 and March 31, 2018 respectively.

(All amounts in ₹ lacs, except for share data or as otherwise stated)

(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). 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

Trade receivables	March 31, 2019	March 31, 2018
- USD	10,381.78	11,058.17
-GBP	-	1.09
-CHF	13.44	-
- EUR	1,383.83	2,088.57

Cash & cash equivalents	March 31, 2019	March 31, 2018
- USD	537.55	20.33

Financial liabilities

Trade payables	March 31, 2019	March 31, 2018
- USD	2,481.40	2,592.16
- EUR	8.70	14.29
- GBP	0.02	54.20
- CHF	5.43	0.10
- JPY	74.13	57.87

Borrowings	March 31, 2019	March 31, 2018
- USD	7,552.58	11,443.25
- EUR	-	287.58

(b) Derivative financial instruments

The following table gives details in respect of outstanding derivate contracts. The counterparty for these contracts are banks.

	Buy	March 31, 2019	March 31, 2018
Derivatives not designated as hedges			
Forward contract	GBP	-	GBP 1.97
Forward contract	USD	US \$16.06	US \$ 9.62
Interest rate swaps	USD	US \$10.09	US \$20.98

(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.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

Particulars	Impact on profit after tax for the year ended	
	March 31, 2019	March 31, 2018
<i>USD sensitivity</i>		
₹/USD - Increase by 5%	44.27	(147.85)
₹/USD - Decrease by 5%	(44.27)	147.85
<i>EUR sensitivity</i>		
₹/EUR - Increase by 5%	68.76	89.34
₹/EUR - Decrease by 5%	(68.76)	(89.34)

(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. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and profit by ₹78.99 (March 31, 2018: ₹79.00).

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 March 31, 2019 & March 31, 2018.

Ageing of trade receivables is as follows:

	March 31, 2019	March 31, 2018
Neither past due nor impaired	10,973.20	12,428.06
Past due not impaired:		
0-180 days	4,576.63	5,284.42
Greater than 180 days	852.14	1,679.79
	16,401.97	19,392.27

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:

March 31, 2019	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	17,074.54	2,310.57	3,760.97	23,146.08
Trade and other payables	12,229.02	-	-	12,229.02
Other financial liabilities	1,562.49	-	-	1,562.49
Total	30,866.05	2,310.57	3,760.97	36,937.59
March 31, 2018	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Non-derivatives				
Borrowings	21,571.66	4,214.77	6,134.05	31,920.48
Trade and other payables	12,429.49	-	-	12,429.49
Other financial liabilities	1,362.24	-	-	1,362.24
Total	35,363.39	4,214.77	6,134.05	45,712.21

*(All amounts in ₹ lacs, except for share data or as otherwise stated)***33. 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:

	As at March 31, 2019	As at March 31, 2018
Total borrowings	23,146.08	31,920.48
Less: Cash and cash equivalents	(793.77)	(328.79)
Net debt	22,352.31	31,591.69
Total equity	69,930.78	55,804.28
Net debt to equity ratio	31.96%	56.61%

34. 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:

	March 31, 2019	March 31, 2018
Salaries and wages	1,080.32	817.91
Consumption of raw materials and consumables	340.06	342.34
Power and fuel	242.83	244.82
	1,663.22	1,405.07

35. 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). However, owing to certain unavoidable reasons, the construction work had been temporarily suspended during the prior years.

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 Addendum 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 lacs sq. ft, out of which the Company has agreed to transfer 1.20 lacs sq. ft from its own share at ₹0.02 per sq. ft to the Developer nominees on completion of the construction work and has received advance of ₹2,028 towards the proposed transfer as at March 31, 2019. The Developer has resumed the construction work, based on receipt of approvals and clearances from the concerned authorities. The management, on the basis of its assessment of the end use of its share in the proposed project has classified the entire value of land and balance of capital work-in-progress as an investment property as at March 31, 2019.

Management expects the fair value of investment property under construction is reliably measurable when construction is complete, accordingly management has determined that it shall measure the fair value of investment property under construction at the earliest of either when construction is completed or when its fair value becomes reliably measurable.

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 April 1, 2016. NHSPL is engaged in the business of conducting research & development of peptides & NPRPL is in the business of Contract Research Services.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

The purchase consideration of ₹31,084.99 payable 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 was disclosed as Share Suspense Account under Other Equity as at March 31, 2018. During the year, the Company has allotted its equity shares and accordingly, ₹227.06 and ₹30,857.93 has been reclassified to equity share capital and securities premium respectively as at March 31, 2019.

Below is the reconciliation of the carrying amount of goodwill:

	March 31, 2019	March 31, 2018
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 14.45% for the year ended March 31, 2019. 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. 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:

	For the year ended March 31, 2019	For the year ended March 31, 2018
Europe	28,500.56	24,043.28
India	16,757.66	13,455.17
USA	7,350.55	6,698.60
Rest of the world	11,223.24	6,962.77
	63,832.01	51,159.82

(ii) Analysis of Group's non-current assets based on the location of the assets:

	For the year ended March 31, 2019	For the year ended March 31, 2018
India	67,329.32	62,063.41
USA	-	4.85
Rest of the world	5.93	6.87
	67,335.25	62,075.13

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

(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 ₹9,846.85 (March 31, 2018: ₹11,369.45).

38. Related party disclosures

a) Names of the related parties and nature of relationship

Particulars
Key Management Personnel
Dr. D. R. Rao - Chairman & Managing Director
Mr. D. Sucheth Rao - Vice Chairman and CEO
Mr. D. Saharsh Rao - Joint Managing Director
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 Khusrokhani (with effect from 12 February 2019) - Non-Executive Independent Director
Mr. Amit Agarwal (with effect from 16 November 2017) - Chief Financial Officer
Relatives of Key Management Personnel
Mrs. D. Vijaya Rao
Mrs. D. Rohini Niveditha Rao

(b) Transactions	with	related	parties	
			For the year ended March 31, 2019	For the year ended March 31, 2018
Transactions with KMP				
Managerial remuneration			517.73	192.53
Director's sitting fee			25.70	30.30
Commission			15.00	15.00
Professional fee			29.02	3.87
Transactions with relatives of KMP				
Rent			68.28	65.37

Note: In accordance with the terms of the Scheme approved by the NCLT, on April 30, 2018, the Company had allotted equity shares of ₹10 each at a premium of ₹1,359 per equity share to the below related parties (being the erstwhile shareholders of NHSP and NPRPL).

	No. of equity shares allotted
Dr. D R Rao	3,178,146
Mr. D. Sucheth Rao	319,906
Mr. D. Saharsh Rao	243,471
Mrs. D. Vijaya Rao	613,222
Mrs. D. Rohini Niveditha Rao	163,298

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

(c) **Balances receivable/(payables)**

	As at March 31, 2019	As at March 31, 2018
Key Management Personnel	(50.88)	(25.98)
Relative of Key Management Personnel	12.97	13.25

Note: Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees and Dr. D. R. Rao has additionally pledged certain share of its holding in the Company in connection with the working capital limits availed by the Company. (Refer note: 15)

39. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹166.98 (March 31, 2018: ₹177.15).

40. Contingent liabilities and pending litigations

	As at March 31, 2019	As at March 31, 2018
Disputed income tax liabilities		
Assessment year 2004-05 - refer note (a) below	693.33	693.33
Assessment year 20013-14 to 2018-19 - refer note (b) below	1,357.45	-
Assessment year 2016-17 - refer note (c) below	96.27	-
Other income tax matters	133.31	133.31
Disputed service tax liabilities		
Financial years 2009-2015 - refer note (d) below	119.32	119.32
Other service tax matters	5.70	5.70
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

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 an favorable order and accordingly, no adjustments have been made to the financial statements in this regard.
- (b) The Assessing Officer for the assessment years 2013-14 to 2018-19 has disallowed certain foreign denominated expenditure on the grounds that tax was not deducted at source in accordance with Section 201 and 201(1A) of the Income-Tax Act, 1961 and demanded an additional tax of ₹1,357.45 (including interest u/s 201(1A)). The Company has filed necessary appeals against the said demand with the Commissioner of Income-Tax (Appeals) which is pending for disposal as at March 31, 2019. The management, on the basis of its internal assessment of the facts of the case, the underlying nature of transactions, the history of judgements made by the various appellate authorities and the necessary advise received from the independent expert engaged in this regard, is of the view that the probability of the case being settled against the Company is remote and accordingly no adjustments to the financial statements are considered necessary in this regard.
- (c) The Assessing Officer for the assessment year 2016-17, had issued a notice u/s 142(1) of the Income-Tax Act, 1961 proposing to disallow the employees contribution to Provident Fund and Employees State Insurance paid beyond the due date specified in the respective acts, but before the due date of filing of Income Tax return for the said assessment year. The Company has filed necessary appeals against the said demand with the Commissioner of Income-Tax (Appeals) which is pending for disposal as at March 31, 2019. The management, on the basis of its internal assessment of the facts of the case, the history of judgements made by the various appellate authorities and the necessary advise received from the independent expert engaged in this regard, is of the view that the probability of the case being settled against the Company is remote and accordingly no adjustments to the financial statements are considered necessary in this regard.

(All amounts in ₹ lacs, except for share data or as otherwise stated)

(d) The Additional Commissioner of Customs, Central Excise & Service Tax has demanded sums aggregating to ₹119.32 in relation to payment of service tax on certain services availed by the Company from non-residents. The Company has filed an appeal against the demands of the Additional Commissioner with the Hon'ble High Court of Telangana. The management, on the basis of assessment of the provisions of the Finance Act, 1994, is of the opinion that these demands are frivolous and not tenable and accordingly has not provided for these demands in the financial statements.

Other pending litigations / contingent liabilities:

(e) The Hon'ble Supreme Court (SC) has clarified in the case of Vivekananda Vidyamandir and Others Vs The Regional Provident Fund Commissioner (II) West Bengal that various allowances like conveyance allowance, special allowance, education allowance, medical allowance etc., paid uniformly and universally by an employer to its employees shall form part of basic wages for computation of the provident fund contribution. On the basis of internal evaluation, supported by a legal opinion from an independent legal expert, management has determined that the aforesaid ruling is applicable prospectively and, therefore there is no impact of such ruling on the financial statements of the Company.

(f) During the prior years, the erstwhile Andhra Pradesh State Electricity Transmission authorities (APTRANSCO) had demanded amounts aggregating to ₹223.03 from Andhra Pradesh Gas Power Corporation Limited (APGPCL) towards payment of wheeling charges and surplus power charges in relation to the power supplied by APGPCL to the Company. In lieu of the Company also being the shareholder of APGPCL, the aforesaid amounts had also been demanded from the Company by APGPCL which has been duly paid under protest by the Company. Further, aggrieved by the order of the APTRANSCO, APGPCL has filed appeals with the Hon'ble Supreme Court and Hon'ble High Court of Telangana disputing the levy of wheeling charges and surplus power charges respectively, which is pending final outcome as at March 31, 2019. However, on the basis of assessment of the facts of the case, the management is confident that the amounts paid under protest would be recoverable in full and accordingly no adjustments are deemed necessary to the financial statements in this regard.

(g) 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 ₹2,981.39.

(h) During the financial year ended March 31, 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide it's order dated February 22, 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 December 31, 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 financial statements.

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2019

(All amounts in ₹ lacs, except for share data or as otherwise stated)

41. Net debt reconciliation

	Current borrowings	Non-current borrowings	Interest accrued
Net debt as on April 1, 2017	15,107.90	3,967.97	16.98
Cash flows (net)	4,754.87	8,008.44	-
For-ex adjustment	57.49	23.81	-
Interest expenses, including interest capitalized	-	-	2,211.82
Interest paid	-	-	(2,223.96)
Net debt as on March 31, 2018	19,920.26	12,000.22	4.84
Cash flows (net)	(4,900.75)	(3,856.78)	-
For-ex adjustment	(113.68)	96.81	-
Interest expenses, including interest capitalized	-	-	2,519.50
Interest paid	-	-	(2,495.33)
Net debt as on March 31, 2019	14,905.83	8,240.25	29.01

42. Expenditure during construction period (pending allocation)

	For the year ended March 31, 2019	For the year ended March 31, 20198
Opening Balance	193.01	-
Add:		
Cost of materials consumed, net of trail run inventory recognized	218.02	-
Employee benefits expense	340.67	73.37
Power and fuel	125.74	20.32
Factory maintenance	527.30	46.22
Rates and taxes	-	21.08
Legal and professional chargers	112.52	-
Others	51.50	32.02
Less:		
Capitalized during the year	1,261.56	-
	307.20	193.01

(All amounts in ₹ lacs, except for share data or as otherwise stated)

44. Events after reporting period

The Board of Directors had at the meeting held on May 16, 2019, declared a dividend of ₹1.20 per equity share of face value of ₹10 each, (excluding applicable dividend distribution tax), subject to the approval of the shareholders in the ensuing Annual General Meeting.

45. The consolidated financial statements are approved for issue by the Company's Board of Directors on May 16, 2019.

This is the Summary of Significant Accounting Policies and Other Explanatory Information referred to in our report of even date

For **Walker Chandio & Co LLP**

Chartered Accountants

Firm's Registration No: 001076N/N500013

Sanjay Kumar Jain

Partner

Membership No: 207660

Place: Hyderabad

Date: May 16, 2019

For and on behalf of the Board of Directors of **Neuland Laboratories Limited**

Dr. D. R. Rao

Chairman &
Managing Director
DIN 00107737

P. V. Maiya

Director
DIN 00195847

D. Sucheth Rao

Vice Chairman
and CEO
DIN 00108880

Amit Agarwal

Chief Financial
Officer

D. Saharsh Rao

Joint Managing
Director
DIN 02753145

Sarada Bhamidipati

Company Secretary

Place: Hyderabad

Date: May 16, 2019

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	0.6243	69.13
Share Capital	15.37	0.45
Reserves & Surplus	85.00	287.88
Total Assets	141.23	377.84
Total Liabilities	141.23	377.84
Investments Made	-	-
Turnover	302.11	725.54
Profit / (Loss) before Taxation	13.80	36.42
Provision for Taxation	5.67	14.73
Profit / (Loss) after Taxation	8.13	21.69
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

Chairman &
Managing Director
DIN 00107737

D. Sucheth Rao

Vice Chairman
and CEO
DIN 00108880

D. Saharsh Rao

Joint Managing
Director
DIN 02753145

P. V. Maiya

Director
DIN 00195847

Amit Agarwal

Chief Financial
Officer

Sarada Bhamidipati

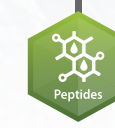
Company Secretary

Place: Hyderabad

Date: May 16, 2019



The Dedicated 100% API Provider



Neuland Laboratories Limited
Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No. 2, Banjara Hills
Hyderabad, 500034, Telangana, India

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