Laurus Labs Limited
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LAURUS Labs
Knowledge . Innovation . Excellence

June 06, 2022

| To | To |
|---|---|
| The Corporate Relations Department<br>BSE Limited<br>Phiroz Jeejeebhoy Towers, 25th Floor,<br>Dalal Street<br>Mumbai – 400001 | The Listing Department<br>National Stock Exchange of India Limited<br>Exchange Plaza,<br>Bandra Kurla Complex, Bandra (East)<br>Mumbai – 400 051 |
| **Code: 540222** | **Code: LAURUSLABS** |

Dear Sirs,

**Sub: Notice of the 17th Annual General Meeting and the Annual Report FY 2021-22 as per Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) ('SEBI (LODR)') Regulations, 2015.**

Pursuant to Regulation 34 of SEBI (LODR) Regulations, 2015, please find enclosed the Notice convening the 17th Annual General Meeting (AGM) of shareholders and the Annual Report for the financial year 2021-22 which will be circulated to the shareholders through electronic mode for the AGM to be held on Thursday, June 30, 2022 at 04.00 PM (IST) through video conference (VC).

The Notice and the annual report will also be made available on the Company's website at www.lauruslabs.com.

**The Schedule of events are as follows:**

| | |
|---|---|
| Date and Time of AGM | Thursday, June 30, 2022;<br>4:00 P.M. (IST) |
| Eligibility date for participation in the AGM | June 23, 2022 |
| Remote e-voting start date and time | Monday, June 27, 2022;<br>9:00 A.M. (IST) |
| Remote e-voting end date and time | Wednesday, June 29, 2022;<br>5:00 P.M. (IST) |
| Website of NSDL for remote e-voting and participation in the AGM through VC for Non-Individual Shareholders | https://www.evoting.nsdl.com/ |
| Website for registration in IDeAS Portal for Individual shareholders holding demat with NSDL for remote e-voting and participation in the AGM through VC | https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp |
| Website for registration in Easi/Easiest Portal for Individual shareholders holding demat with CDSL for remote e-voting and participation in the AGM through VC | https://web.cdslindia.com/myeasi/Registration/EasiRegistration |

This is for your information and records.

Thanking you,

Yours sincerely,
**For Laurus Labs Limited**

LAURUS LABS LIMITED Hyderabad

**G. Venkateswar Reddy**
**Company Secretary &**
**Compliance Officer**

Encl: As above

LAURUS Labs
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**Laurus Labs Limited**
Annual Report 2021-22

# Turning Aspirations Into Reality

# Contents



# 2021-22 highlights

## Financial

y-o-y growth PAGE 10

**₹ 4,936 crore**
Revenue
3%

**₹ 1,436 crore**
EBITDA
-9%

**₹ 828 crore**
Profit after tax
-16%

## Environment

PAGE 24

**20,56,18,825 Kwh**
Energy consumption

**13,36,358 KL**
Water consumption

**2,782 MT**
Waste recycled

## Social

PAGE 26

**14.5 hours/annum**
Average training hours per employee

**₹ 11.7 crore**
CSR spent

**302**
Customers served

# Turning aspirations into reality

**Aspiration is undoubtedly one of strongest emotions of mankind. Aspiration serves as a motivator for people to achieve far-fetched goals and set new milestones. We believe that, at Laurus Labs, it is both our opportunity and responsibility to accentuate the aspirations of our customers by giving addresses to their aspirations.**

At Laurus Labs, we have a clear vision to translate our ideas into reality – relying on a foundation of innovation, distinct capabilities and a focused strategy to give direction to our thoughts. Our unwavering efforts to discover new ways of growth, achieve cherished goals, and deliver unrivalled performance enable us to lay the groundwork for long-term growth. This is supported with several approvals anticipated and good progress what we are seeing in multisite capacity expansion across API, formulations and Contract Development and Manufacturing Company (CDMO) division.

Our success is built on the strength of our research and manufacturing capabilities. It enables us to build end-to-end capabilities, create advanced formulations, and meet stringent regulatory requirements. We are at an extremely opportune point in our journey and are excited about not only accelerating and broadening the growth path, but also strategically aiming to expand our foray into the pharmaceutical space while constantly lending stability to a dynamic organisation.

## About Laurus Labs

# A foundation for the future

**We are an innovative research-driven pharmaceutical and biotechnological company that develops cost effective and quality medicines aiming to enhance health outcomes for patients with a continuous focus on quality, access and affordability.**

At Laurus Labs, we are a fully integrated pharmaceutical and biotechnology company, with a leadership position in Active Pharmaceutical Ingredients (APIs) in selected high-growth therapeutic areas and major focus on anti-retroviral, Hepatitis C, and oncology drugs. Today, we are one of the leading suppliers of APIs in the ARV therapeutic area for multinational pharmaceutical companies across different parts of the globe.

We are thriving on growth opportunities starting from manufacturing to service to all leading markets of North America, Europe, and Low Middle-income Countries (LMIC). Driving growth opportunities in contract development and manufacturing through our synthesis business, we support drug development and manufacturing programmes for global pharmaceutical and biotech companies at all stages, i.e., from pre-clinical stage to commercialisation.

## VISION

To become a leading player in offering integrated solutions to global pharmaceutical needs in creating a healthier world.

## MISSION

We constantly strive for innovation to enhance quality and to provide affordable integrated pharmaceutical solutions to facilitate wellness and well-being across the globe.

## VALUES

**Knowledge**
Seek to learn constantly to stand out from the crowd

**Innovation**
Strike out on new paths to go farther

**Excellence**
Scale new peaks in everything we do

**Care**
Be diligent, safe and sensible

**Integrity**
Stand up always for what is right

# Business areas

### At Laurus Labs, we operate under four business units covering a wide range of therapeutic applications:

1 **Generic Formulation (FDF)** - Development and manufacture of oral solid formulations

2 **Generics - API -** Development, manufacture and sale of APIs and advanced intermediates

3 **CDMO-Synthesis -** Key starting materials, intermediates and APIs for New Chemical Entities (NCEs)

4 **Laurus Bio -** Manufacture of animal origin free recombinant products that are safe and sustainable

# Numbers that define us

**184**
Patents granted

**73**
Drug Master Files (DMFs)

**60+**
Products commercialised since inception

**TOP 10**
Generic pharmaceutical companies served

**790**
Scientists at our R&D centres

**5,847 KL**
Reactor volumes

**5,700+**
Employees

**9**
Manufacturing sites

Business overview

# Leveraging integration to grow value across businesses

**We offer a broad and integrated portfolio of products and services to the global pharmaceutical industry. The journey from APIs to formulations to synthesis businesses is the outcome of our integrated strategy, which we have successfully executed in all these years. Our four business units cover a wide range of therapeutic applications across the product value chain.**

## 1 Generic Formulation (FDF)


### Performance review

- FDF business grew 13% y-o-y to ₹1,880 core
- Gradual stabilisation of ARV demand from Global Agencies and Developed markets sales strong over 2020-21 led by portfolio expansion
- Signed up for MPP license for Pfizer anti-Covid pill Paxlovid to increase the broad access in LMIC markets
- Brownfield capacity expansion at Unit 2 (to add 4 billion units) is on track and expected to get commercialised by Q1 2022-23
- 9 product dossiers were filed in Developed markets in 2021-22

### Overview

- Development and manufacture of oral solid formulations for LMIC, North America and European Union (EU) markets
- Backed by in-house API strengths

### Product and service offerings

- Anti-retroviral (ARV)
- Anti-diabetic
- Cardiovascular
- Proton Pump Inhibitors (PPIs)
- Central nervous system (CNS)

### 2021-22 highlights

- Sustainable ARV business and steady market share gains + new launches in Developed markets are key drivers
- 10 product dossiers were approved
- Brownfield lines to get operational before June 2022

**38%**

Revenue contribution

2

# Generics - API

## Overview

- Development, manufacture and sale of APIs and advanced intermediates
- Leaders in various high-value and high-volume APIs with a sizeable global market share
- High potent manufacturing units

## Product and service offerings

- Anti-retroviral (ARV)
- Anti-diabetic
- Cardiovascular
- Proton Pump Inhibitors (PPIs)
- Oncology

## 2021-22 highlights

- Growth impacted from destocking in ARV business at channel level
- Seeing signs of early recovery and complete stabilisation expected through 2022-23
- Muted performance for Other APIs; Expect growth rebound supported by new contract supplies ahead
- 12 DMFs filed
- Brought new capacity on stream and adding more capacities in high growth non-ARVs

## Performance review

- The division declined 22% y-o-y due to high base effect of excess channel inventories. While overall demand environment stays softer, we remain optimistic about further recovery
- Overall growth in other APIs and oncology revenues was modest
- Backed by higher order book visibility, we are accelerating capacity expansion in select high growth therapeutics with total reactor volume of +7,000 KL by the end of 2022-23

**41%**

Revenue contribution

# Business overview

## 3 CDMO - Synthesis

### Performance review

» The CDMO business grew solid at 77% y-o-y due to new client additions and increased business from existing customers

» Customer base further diversified, US, EU and Japan are still three most important markets

» Signed new CDMO multi-year partnership with leading Global Lifesciences company for niche APIs. Part of the Capex to be funded through long term commercial advance by the customer apart from sponsoring development cost

» Secured fresh purchase order from Global Life Science major

» Commercialised LSPL unit 1. Greenfield investment to set up a dedicated R&D center (2022-23) at Genome Valley, Hyderabad and three manufacturing units in Vizag on track (2023-24/2024-25)

### Overview

» Contract development and manufacturing services for global pharmaceutical companies and several late-stage projects

» Steroids and hormone manufacturing capability

» Sale and manufacture of specialty ingredients for use in nutraceuticals, dietary supplements and cosmeceutical products with natural extraction capability

### Product and service offerings

» Commercial scale contract manufacturing

» Clinical phase supplies

» Analytical and research services

» Nutraceuticals, dietary supplements and cosmeceutical products

### 2021-22 highlights

» Expanded CDMO capability and customer base

» New CDMO contracts signed with leading Global Lifesciences company

» Initiated capex for dedicated R&D center and manufacturing units

**19%**

Revenue contribution

4

# Laurus Bio

## Overview

- Precision fermentation and recombinant DNA technology
- High-volume industrial-scale biotechnology products for food, health, and nutrition markets

## Product and service offerings

- Offer in-depth fermentation-based product development and manufacturing expertise, as a service (CDMO) to novel protein companies and bio-manufacturers — from clone development, strain engineering, process development, and scale-up to large-scale commercial manufacturing, supporting our customers at every step of the microbial precision fermentation value chain.

## Performance review

- 2021-22 revenues improved materially by +70% over pre-acquisition annualised run-rate led by attractive market opportunities
- Gradually ramping up on the 180 KL fermentation capacity with our large scale CDMO partners
- Continue to work on improving products offering and improving go-to-market by leveraging relationship
- In process to acquire additional land parcel with a plan to create close to 1 million litres fermentation capacity in Phase 1

## 2021-22 highlights

- Recorded ₹100 crore in sales
- Operationalised 180 KL capacity in food proteins

**2%**

Revenue contribution

## Manufacturing facilities

# Comprehensive capabilities with extensive reach

**We currently have seven manufacturing facilities in Visakhapatnam, Andhra Pradesh, one API facility in Bibinagar near Hyderabad and one R&D centre, equipped with a Kilo Lab, in Hyderabad. At seven of these facilities, we manufacture drug substances and one facility is well-equipped to manufacture both drug products and drug substances. We also have fermentation based capability for Recombinant food proteins at two of our units under Laurus Bio.**

### IKP Knowledge Park, Genome Valley, Turkapally

| Facility | Function | Capacity | Approvals granted |
|---|---|---|---|
| Kilo Lab  | Operational in 2006, this facility deals in pre-commercialisation activities for APIs, ingredients, custom synthesis and contract manufacturing | 43 reactors and 4.3 KL capacity | USFDA, KFDA and PMDA |

### Jawaharlal Nehru Pharma City, Visakhapatnam

| Facility | Function | Capacity | Approvals granted |
|---|---|---|---|
| Unit 1  | Operational in 2007, this facility deals with API and includes capacity for ingredients, synthesis and contract manufacturing | 333 reactors and 1,232 KL capacity | USFDA, WHO – Geneva, NIP – Hungary, KFDA, COFEPRIS, PMDA, ANVISA |
| Unit 3  | Operational in 2015, this facility deals with APIs and includes capacity for ingredients, synthesis and contract manufacturing | 297 reactors and 2,299 KL capacity | USFDA, WHO – Geneva, NIP – Hungary, COFEPRIS, KFDA, ANVISA and JAZMP – Slovenia |
| Unit 5 (SEZ)  | Operational in 2017, this is a dedicated hormone and steroid facility for Aspen | 50 reactors and 151 KL capacity | |
| LSPL Unit 1  | APIs including ingredients, synthesis and contract manufacturing | 42 reactors + 3 all glass reactors with 139 KL capacity | |

## APIIC, Atchutapuram, Visakhapatnam

| Facility | Function | Capacity | Approvals granted |
|---|---|---|---|
| Unit 2  | Operational in 2017, this facility deals with FDFs and APIs | FDF – 6 billion tablets/ capsules; capacity expansion initiated in a phased manner (+ 4 billion unit) | BVG Hamburg Germany, USFDA, WHO – Geneva, and JAZMP – Slovenia and various African countries |
| Unit 4  | Operational in 2018, this facility deals with APIs and includes capacity for ingredients, synthesis and contract manufacturing | 130 reactors and 1,105 KL capacity | WHO, USFDA and COFEPRIS – Mexico |
| Unit 6  | Operational in 2018, this facility deals with APIs (largely manufacturing intermediates for captive consumption) | 68 reactors and 758 KL capacity | USFDA |

## Bibi Nagar (Sriam Labs)

| | | | |
|---|---|---|---|
|  | API & Intermediates | 31 reactors and 81 KL capacity | WHO GMP by CDSCO |

## Laurus Bio

| | | | |
|---|---|---|---|
| R1  | Bio-ingredients<br>In-house QC lab suited to microbial testing | Fermentation capacity of 10,750 Liters (2 reactors of 5,000 L & 3 reactors of 250 L) | |
| R2  | Bio-ingredients<br>CDMO capabilities | Fermentation capacity of 180 KL (4 fermenters of 45 KL) | |

Key performance indicators

# Measuring progress

## Profit and loss metrics

### Net sales
(₹ in crore)

| | |
|---|---|
| 2021-22 | **4,936** |
| 2020-21 | 4,814 |
| 2019-20 | 2,832 |
| 2018-19 | 2,292 |
| 2017-18 | 2,053 |

24 %

### EBITDA
(₹ in crore)

| | |
|---|---|
| 2021-22 | **1,436** |
| 2020-21 | 1,574 |
| 2019-20 | 570 |
| 2018-19 | 371 |
| 2017-18 | 442 |

34%

## Balance sheet metrics

### Net worth
(₹ in crore)

| | |
|---|---|
| 2021-22 | **3,351** |
| 2020-21 | 2,597 |
| 2019-20 | 1,770 |
| 2018-19 | 1,558 |
| 2017-18 | 1,483 |

23%

### Dividend
(₹ in crore)

| | |
|---|---|
| 2021-22 | **107** |
| 2020-21 | 107 |
| 2019-20 | 27 |
| 2018-19 | 16 |
| 2017-18 | 16 |

61%

## Ratios

### Debt equity ratio
( % )

| | |
|---|---|
| 2021-22 | **0.52** |
| 2020-21 | 0.56 |
| 2019-20 | 0.60 |
| 2018-19 | 0.66 |
| 2017-18 | 0.66 |

### Return on capital employed
( % )

| | |
|---|---|
| 2021-22 | **26.3** |
| 2020-21 | 40.1 |
| 2019-20 | 14.1 |
| 2018-19 | 8.2 |
| 2017-18 | 13.7 |

18%

### Net profit

(₹ in crore)

| | |
|---|---|
| 2021-22 | **828** |
| 2020-21 | 984 |
| 2019-20 | 255 |
| 2018-19 | 94 |
| 2017-18 | 168 |

49%

### Diluted EPS

(₹)

| | |
|---|---|
| 2021-22 | **15** |
| 2020-21 | 18 |
| 2019-20 | 5 |
| 2018-19 | 2 |
| 2017-18 | 3 |

48%

## Social metrics

### Total workforce

(No.)

| | |
|---|---|
| 2021-22 | **5,716** |
| 2020-21 | 4,808 |
| 2019-20 | 3,872 |
| 2018-19 | 3,612 |
| 2017-18 | 3,306 |

### CSR spent

(₹ in crore)

| | |
|---|---|
| 2021-22 | **11.67** |
| 2020-21 | 5.82 |
| 2019-20 | 4.55 |
| 2018-19 | 4.60 |
| 2017-18 | 4.40 |

### Return on equity

( % )

| | |
|---|---|
| 2021-22 | **27.8** |
| 2020-21 | 45.1 |
| 2019-20 | 15.3 |
| 2018-19 | 6.2 |
| 2017-18 | 11.9 |

24%

5-year CAGR

CEO's message

# Enduring faith in our abilities

**We have emerged as one of the leading pharma companies on the back of expansive product portfolio spanning multiple therapeutic areas.**

**Dr. Satyanarayana Chava**
Chief Executive Officer

## Dear Stakeholders,

2021-22 was another year of rapid change for the pharma industry and the world. The pandemic continues to disrupt care for patients across the spectrum of diseases apart from COVID-19, that requires healthcare systems to adapt and scale much quicker than earlier to cope with COVID-19 while caring for patients with chronic diseases. Through the challenges ahead, there are reasons to be optimistic about a healthier future which is within our grasp – the ways our industry has brought to this crisis the power of technology and shown once again the extraordinary ability of science to overcome humanity's greatest tests.

During the year, we invested significantly in capacity creation, built new partnerships in CDMO and steadily delivered on diversification of revenues along with our R&D capabilities with minimal supply chain impact. We also successfully forayed into disruptive CAR-T technology by investing in Immuno Act for a substantial minority stake. This investment should significantly help in bringing innovative and more affordable medicines. The investment in ImmunoACT is part of the larger strategy to strengthen the biologics business, and this provides access and entry into an emerging field of research.

We are strengthening our core to increase the resilience of our business operations to deliver long-term sustainable growth and enhance strategic customer value proposition in the coming years. As a result, we remain confident in our aspirational sales target of a billion-dollar in fiscal year 2023, which will be supported by several anticipated approvals and good progress in our multi-site capacity expansion across all divisions.

We have emerged as one of the leading companies on the back of an expansive product portfolio spanning multiple therapeutic areas. This ensures that we can capture the growth in various products and categories while reducing the risk of dependence on any single product.

## Building a strong foundation for the future

The formulation division reported revenue of ₹1,880 crore in 2021-22 with 13% growth. Prolonged channel de-stocking observed in ARV-API sales dragged down the performance in the division. Simultaneously, the oncology API and other API revenues are gaining good traction with a strong growth outlook backed by a strong order book. Laurus is a fully integrated player in ARV formulations, and we do believe we have a fair ability to weather any pricing challenges in the coming quarters. We have signed and will be part of the MPP license for Pfizer's oral COVID drug; this will increase the broad access in LMIC markets. Momentum in the Synthesis business remains strong. We have scaled up our capex for 2022-23 and 2023-24 to cater to future growth across segments.

Our financial performance highlights our progress and drives confidence for the future. Our revenue grew by 3% to ₹4,936 crore, driven by impressive growth in CDMO business and healthy FDF performance. EBITDA came at ₹1,436 core with sustained EBITDA margins of 29% as better mix offset negative operating leverage.

On R&D front, we continue to allocate critical resources and invest in a portfolio with a product-specific approach, not the market-specific approach based on the complexity and scale economies. Additionally, we are implementing steps to bring more robustness in our overall product development processes.

## Our commitment to quality

We work closely with leading innovators, global health organisations, and providers, without compromising quality standards keeping our core philosophy of 'One Quality Standard for all 'Markets'. In addition, we focus on strengthening our operations by increasing automation, enhancing our data and analytics skills, and implementing emerging technologies to improve product quality.

## ESG progress

We also made further progress in our environmental, social, and governance (ESG) activities, which are an essential part of our strategy and an important reputation driver. Continued to get "A" rating by MSCI - among the top 25% of global pharma companies evaluated on ESG risk tolerance. At Laurus, we support 14 out of 17 UN SDGs and encourage all businesses to consider how they may contribute.

We recognise the role of our employees in shaping a sustainable future and, therefore, aim to foster a corporate culture that aligns business aspirations with the growth and development of our people. The training programmes offer an ideal blend of e-learning and classroom sessions to enhance skillsets and foster professional development. As we work towards a higher purpose of creating a more sustainable world, we will continue to focus on our CSR approach to enhance value for stakeholders across verticals.

## Outlook

The outlook for the Synthesis and FDF segments was encouraging, while the API segment's performance is likely to normalise in 2022-23. We continue to strengthen our position as a cost-effective integrated pharma player by investing in backward integration efforts to create additional API and FDF capacities in non-ARV infrastructure.

We remain grateful to our shareholders for their constant trust and faith in our capabilities. I express my gratitude to each stakeholder including our employees, for your continued support and continuous motivation to scale new peaks of success year after year. Resting on our strategic interventions and consistent efforts to improvise novel ways of delivering exceptional performances, we remain optimistic about a brighter future and better prospects.

Regards,

**Dr. Satyanarayana Chava**
Chief Executive Officer

## Turning aspirations into reality

# Diversified division mix

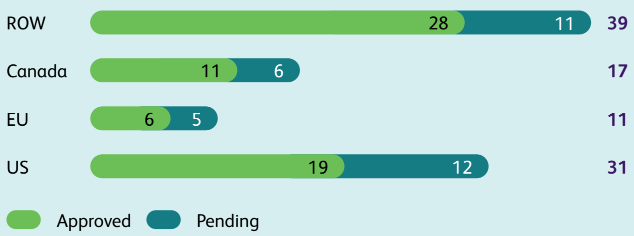
**We have steadily invested in a wide range of innovation to make our portfolio of products diverse and differentiated in a competitive market scenario. Over the years, we have substantially strengthened our product portfolio.**

1

### Generic FDF

Leveraging on strong backward integration, Laurus has demonstrated commendable execution capability in the formulation division growth, driven from tender driven opportunities. Based on healthy product pipeline progress, we continue to invest in FDF infrastructure and our brownfield expansion at Unit 2 is progressing as per our expectations and is expected to add significant capacity.

### Global Filings




*Includes 11 Tentative approvals in US

2

### Generics - API

Laurus Labs is one of the world's leading suppliers of anti-retroviral APIs and intermediates and has developed several products in the anti-diabetic, cardiovascular and gastroenterology therapeutic areas. We are adding more capacities into the high potent areas located at unit four. Our aim is to strengthen further our leadership in some of these oncology and high potent molecules. Over the long term, plans to enter the other API's (diabetology and cardiology) would drive the growth of the API's.

3

### CDMO-Synthesis

Laurus's synthesis business has recorded an impressive growth backed by traction in existing commercialised molecules and new customer additions. In addition to the emerging opportunities at the industry level, the recent win of a multi-year contract with a global life sciences company bodes well and we are setting up a dedicated facility for the same.

» Customer base further diversified

» 50+ projects handled across the value chain

» Increased investment to enable customers globally via capacity creation

» 550+KL dedicated capacity

4

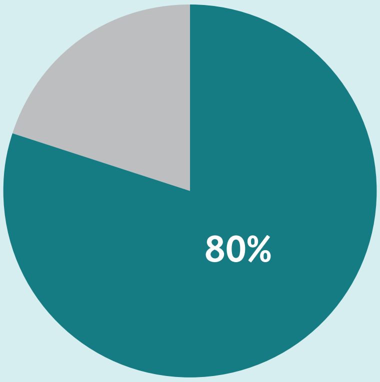
### Laurus Bio

Laurus Bio is expected to gain significant traction as it has recently completed a massive expansion plan. We are planning to add 1 million litres of fermentation capacity for Laurus Bio which will come online only in 2023-24 and drive growth in 2024-25.

## Fundamentally - Diversified our division mix

Intensifying the transformation drive

### 2016-17 (IPO)



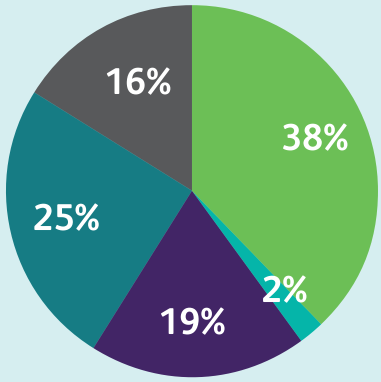

**₹1,905 crore**
Revenue

Revenue CAGR: 21%

EBITDA CAGR: 32%

Diversified without compromising on growth

### 2021-22 (By Division)




**₹ 4,936 crore**
Revenue

● ARV API ● FDF ● Laurus Bio ● Synthesis ● Oncology & Other APIs

- Continued organic investment in manufacturing asset
- Integrated approach across portfolio
- Continued quality focus
- Capable leadership team

ARV: Anti Retroviral

Turning aspirations into reality

# Leveraging capacities to improve access and adequate supply

**At Laurus Labs, we have progressively invested in adding capacities to leverage economies of scale and to ensure adequate supply for our customers.**

During the year, we commissioned 1 billion tablets capacity and plan to commission another 4 billion tablet capacity by end of Q1 2022-23 thus doubling the FDF division's capacity to 10 billion tablets per year. Material benefits from capacity expansion plans are likely to be visible in 2022-23. Further the expanded capacities do not need regulatory approvals as they are at an already approved site. With the product approvals flowing in, the utilisation rates of the new capacities could improve gradually and would add to the overall growth. Collectively, a healthy demand environment, well complimented by commissioning of expanded capacities provide ample visibility on the growth ahead for formulations division.

We have also undertaken a greenfield investment to set up a dedicated R&D center in Hyderabad, and three manufacturing units in Visakhapatnam. Going ahead, the strong traction is expected to improve further and drive the overall growth of the company. New sites will have the capabilities to handle steroids, hormones, high potent molecules apart from large scale products.

## Re-investing to support long-term growth

| Location | Expansion type | Division | Status and capacity | Operational timelines |
|---|---|---|---|---|
| **Vizag**  | Brownfield | Generic Formulation (FDF) | Unit 2 – 4 billion units (new building) | Completion before June 2022 |
| | Brownfield | Generic Formulation (FDF) | Unit 2 – 1 billion units (De-bottlenecking) | Completed |
| | Brownfield | Generics - API | Unit 3 and 4 (1,000 KL) | Completed |
| | Brownfield | Generics - API | Unit 1 (LSPL) | Completed |
| | Greenfield | Generics - API | Unit 7, 8 – land acquired | 2024-25 |
| | Greenfield | CDMO - Synthesis | Land acquired (Unit 2 and Unit 4 – LSPL) | 2023-24 |
| | Greenfield | CDMO - Synthesis | Land acquired (Unit 3 – LSPL) | 2024-25 |
| **Hyderabad**  | Greenfield | Generic Formulation (FDF) | Unit 9 – land acquired | Phase 1 – 2023-24 |
| | Greenfield | R&D center (Synthesis) Hyderabad | Land acquired | 2023-24 |

## Turning aspirations into reality

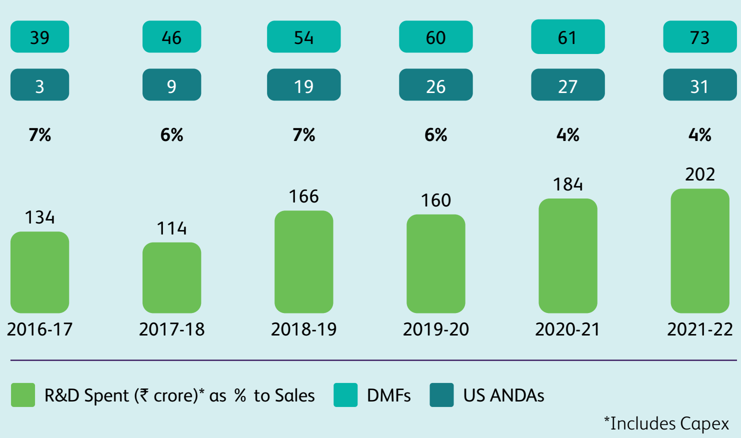
# Strong R&D approach and commitment to quality

**Laurus Labs is a research-based pharmaceutical and biotechnology company that develops innovative medications for significantly improving patient health. By leveraging our strong R&D, knowledge, expertise, and innovation capabilities we seek to improve manufacturing process efficiencies and backward integration strategy to maintain cost competitiveness.**

We proactively invest in state-of-the-art research & development (R&D) activities and manufacture infrastructure to ramp up supply of critical medications across geographies with continued emphasis on best-in-class quality and global compliances.

We have a specialised R&D team of over 790 people, made up of competent researchers, scientists, and product specialists who are committed to strengthening Laurus Lab's intellectual property via excellence and innovation. The R&D team focuses on process intensification, technology absorption, and commercialisation of technologies. We conduct technical and commercial feasibility assessment before selecting molecules. Feedback from the customers is used to enhance our research acumen and focus on margin accretive businesses. We ensure improving existing products through research and development while also paving the path for new ones in high-growth sectors.

### R&D spent and filing trend



## Quality

With strong R&D capability, we manufacture quality products that meet standard of major health authorities globally. We have a relentless focus on Quality Control and Quality Assurance. Strict adherence to cGMP norms as well as our efforts towards continuous improvement of product, process and the skill of workforce enables us to improve our offerings to our customers and consumers on a regular basis.

Recognisng the significance of delivering the quality products we adhere to stringent quality standards throughout our operations. Our state-of-the-art facilities enable us to develop quality and affordable medicines. We adhere to the idea of a single quality standard that applies to all markets. It has put in place a well-defined validation and qualification structure to ensure that systems, facilities, and processes are planned and builtin accordance with client needs.

Our dedicated quality and regulatory teams provide technical and market support for all regulatory affairs. Additionally, our manufacturing facilities comply with the requirements of Integrated Management System (IMS), strictly following ISO 9001-2015: Quality management System, ISO 14001-2015: Environment Management System and ISO 45001-2018: Occupational health and Safety Assessment system standards.

## Ensuring quality

- **Receipt, storage and handling of raw materials:** Raw materials are verified at the warehouse through necessary documentation, approvals, etc.
- **Manufacturing facilities:** We have well designed facilities for the manufacturing, testing, storage of the products for meeting the regulatory and cGMP requirements.
- **Quality control department:** We have well designated facilities and well-trained personnel and procedures available for sampling, inspecting, and testing of raw materials, packing materials, intermediates, API, finished products and monitoring of environmental conditions.
- **Quality assurance:** We have a well-established quality assurance system to release or reject raw materials, packing materials, in process materials, intermediates, APIs and finished Goods. In addition, we also use electronic quality assurance management software for handling quality management systems. Learning management system software for handling training.
- **Quality review meeting & safety committee meeting:** Monthly reviews and inspections are conducted to look out for any quality and safety related issues respectively

## Business model

# A model delivering on commitments

**We create sustained value and growth through the effective use of our resources and our relationships. We act in line with our core values which, together with our focus on building on a more sustainable business, drive us towards our vision for a cleaner, healthier world.**

## Inputs

### Financial
Investment in R&D and manufacturing facilities enables us to expand our product portfolio, technical capabilities, geographic reach and manufacturing capacity.

### Knowhow and intellectual capital
Laurus Lab's competitive advantage is its science and technology. We use our industry leading capabilities across our sectors to create sustainable solutions. We own patents covering our science, technology and processes.

### Relationships
Strong relationships with regulators and health authorities across all our markets, and successful collaborations with industry partners, enable us to achieve our growth objectives.

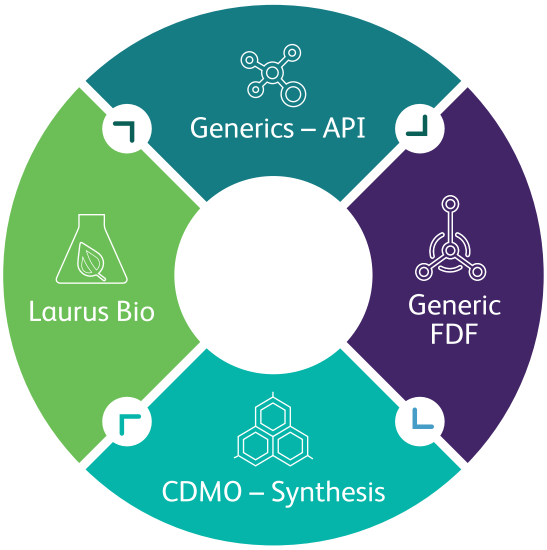
### Natural resources
We source raw materials responsibly and use them efficiently as possible.

### Capabilities
We have extensive manufacturing capabilities across global markets, focused on operational excellence and efficiency.

### People
We have a highly skilled, diverse and effective workforce. Through continuous training of our people and by hiring new talent, we secure our future development.

## Our activities

While we conduct diverse operations across different business divisions and markets, they are aligned with our purpose – to make quality medicines accessible to the people who need them.




### Resources we deploy
- High quality manufacturing
- Broad R&D capabilities
- Experienced sales and marketing team
- Strong partnerships
- Dedicated employees
- Decade-rich experience with exposure to global markets

## Value we create

### Patient benefits
- High quality, affordable medicines
- Innovative in-licensed products
- Products tailored to patient needs

### Sustainable financial growth
Delivering consistent, profitable and responsible growth for our investors

### Social and economic opportunity
Enabling hundreds of thousands of people to benefit from opportunity created by growing along with us, including employees, suppliers and research partners

### Environment and local communities
Focused on managing carbon footprint, offering quality employment opportunities and better health outcomes

## Outcomes

Sales growth
**3%**

Operating profit margin
**29%**

ROCE
**26.3%**

Technology leadership through R&D investment
**4%**

Lost Time Injury Frequency Rate (LTIFR)
**0**

Operational carbon footprint (Direct)
**1,14,873 tonnes**

Operational carbon footprint (indirect)
**3,12,009 tonnes**

## Operating context

# Key trends transforming the industry

**Our business environment is undergoing tremendous change. We are facing new challenges due to the complexity of care and increasing pressure on healthcare budgets. At the same time, we see new opportunities arising from major advances in life sciences and from digitalisation in healthcare.**

## Demographic shifts influencing global healthcare needs

**Key demographic trends are changing the world we live in:**

- The world's population is projected to increase to 8.5 billion people by 2030 and reach almost 10 billion by 2050. The current population of sub-Saharan Africa is projected to double by 2050
- Global ageing is expected to accelerate in the coming decades as a result of significant gains in life expectancy in recent years coupled with declining fertility rates
- Increasing urbanisation and improved economic activity result in better informed patients, actively involved in sustaining their health with increasing expectations for access to medicines and surgical procedures. In turn, this creates greater socio-economic awareness and political pressure to ensure broader and affordable

## Ongoing pressure on medicine pricing

The rising demand for healthcare, which is being driven in part by demographic and socioeconomic factors, is putting a strain on public healthcare systems. As countries seek to achieve better value in healthcare spending, the debate over access to affordable healthcare, pricing, and reimbursement has gained traction in policy discussions around the world.

## Digital tools to improve patient outcomes

Technology continues to evolve at a rapid pace, reshaping the way we live, work, and interact with one another. Advances in artificial intelligence, digital technology, and data analytics are allowing researchers in the healthcare industry to explore and interpret increasing volumes of data more efficiently. Digital tools, including telemedicine and remote-working instruments, are bound to change patient interactions and make access to healthcare services easier. Embracing new technologies will open up alternative opportunities for more precise chronic disease management.

## Partnerships with academia for asset selection and early clinical development

The growing number of academic and industry-sponsored partnerships for asset selection and early clinical development, particularly in the field of cell and gene therapy, is an encouraging development (CAGT). With emerging biopharma taking the lead in developing advanced therapies, the future looks promising for more collaborative partnerships and innovative multi-stakeholder engagement models.

## Climate change impacts business sustainability and human health

Climate change has an impact on every aspect of human life, from water and food availability to extreme weather events and pollution. Climate events endanger supply and distribution chains, raising concerns about the continued availability of resources needed to sustain current business models. It also has an impact on the social and environmental factors that influence human health, such as clean air, safe drinking water, enough food, secure shelter, and the prevalence of vector-borne diseases.

### Our response

We expect that the demand for healthcare services will continue to grow as people live longer. Treatments will need to be adjusted to respond to more complex health issues. To remain competitive, we will continue to meet the changing needs of our patients. Our teams continuously scrutinise the competitive environment and its evolving dynamics. We have a broad product portfolio, high quality operations and a steady stream of new product launches across our markets, which help us to be resilient to the changing landscape. Our aim is to strengthen global leadership in some of the existing products by focusing on high potent molecules and increase our market share.

Environment

# Footprints of positive change

**At Laurus Labs, environmental stewardship is a key driver of our business strategy as we work to protect our natural resources, address climate issues, and reduce carbon emissions across our value chain.**

## Energy management

Energy management is one of the prime focus areas under natural capital at Laurus, since it has a direct impact on emissions and cost of operations. Our manufacturing operations are heavily influenced by energy use and energy mix. We have made a concerted effort to move a greater proportion of our energy consumption to renewable and clean sources.

All our facilities use energy efficient LED lighting. Further, we have also introduced energy efficient machinery into the manufacturing process. Internal and external audits at our manufacturing locations keep track of our energy management performance and help identify areas for improvement. Various initiatives such as replacement of energy inefficient equipment and heat recovery in AHUs were undertaken.

**20,56,18,825 Kwh**
Energy consumption

## Water management

Water is a valuable natural resource and is used throughout our manufacturing process. Water management is therefore one of the most important parameters in our sustainability agenda. We take all possible precautionary measures to manage and improve our water footprint. We reduce, recycle, and reuse the highly pure water we use during the manufacturing process. Rainwater harvesting is also done in non-production areas such as administrative buildings and cafeterias.

**13,36,358 KL**
Water consumption

## Emissions

At Laurus Labs, we understand the imperative to reduce Greenhouse Gas (GHG) emissions in our operations. Our GHG emissions are generated from diesel, natural gas, furnace oil (residual fuel oil) and electricity consumption. We were able to significantly reduce GHG emissions with the support of our renewable energy programmes, in addition to an overall reduction in GHG emissions through conventional energy sources.

**5,89,030 Kwh**
Renewable energy

## Waste and effluents

Laurus Labs strives to reduce waste generated at the source, where possible, and recycle the rest, in keeping with our focus on sustainable business operations. A considerable portion of the waste generated in the pharmaceutical industry is categorised as hazardous and must be handled with caution. We ensure that the waste generated by our operations is managed and disposed of responsibly and in accordance with all applicable regulatory rules.

We also regularly monitor our waste management systems and procedures to ensure that the waste generated throughout our sites undergoes proper and safe treatment. Solvent recovery systems deployed at our API locations allow predefined volumes of used solvent to be recovered. Our operational efficiency allows us to use resources conservatively and reduce waste. We comply with all the local and national regulations, in addition to adopting global standards in safe handling and disposal of emissions and effluents.

**2,782 MT**
Waste recycled

## Social - People

# Shaping an inclusive culture where everyone can thrive

**Our business strategy and business have sustainability at the heart of it. We aim maximise the value we create for our stakeholders and conduct business in way that it protects rights of all stakeholders.**

Our employees are key to our success, and as a result, we invest significant resources in ensuring we are an employer of choice in all the regions where we operate. Our long-term success depends on being a safe workplace where employees feel engaged and take care of each other.

## Diversity and inclusion

A diverse workforce spurs creativity, leading to new and innovative ideas. We aim to be an attractive employer that offers an inclusive, diverse, safe, and ethical working environment, in which all the employees have equal opportunities to realise their potential. We have a multigenerational workforce with millennials forming 88% of the permanent workforce. Additionally, women represent 8% of our entire workforce.

## Talent management

Our talent management process focuses on developing, promoting, nurturing, and retaining the best talent from the industry. The aim to maintain high quality standards stems from an ever-increasing commitment to employee's professional development. Employee development is important to us because it improves our people's productivity and capabilities as well as their ability to stay updated in the changing business environment.

### Induction / onboarding and value orientation initiatives

We have an interactive induction programme aimed at familiarising newcomers with our culture, values, business, financials as well as to set the right expectations at the beginning of their journey with the firm.

**Laurus Labs IGNITE:** The programme aims to establish open lines of communication between the company and the employee. All the new workers who have completed 30 days with the company and their SANCHALAKS will be eligible for the programme. The staff will participate in a three-hour interactive workshop led by one of our Laureate leaders.

## Learning and development

Continuous professional development and upskilling of our employees is at the heart of growth strategy. Therefore, we organise periodic training programmes (digital), knowledge sharing sessions and offsite training programmes/seminars as part of learning and development programmes. In the reporting period more than 99,000 training hours were spent on training.

- We provide technical training based on standard operating procedures (SOPs) The quality assurance team is responsible for imparting training with a focus on process adherence and preserving SOP documentation.
- Employees benefit from our on-the-job learning approach. In most of the cases, this is accomplished using the "coaching/supervision" system, in which an experienced supervisor gives live instructions to the staff to perform a particular job.
- We have a digital Learning Management System that enables easy delivery of L&D initiatives
- Soft and behavioural skills-based training are imparted through the course of the year. These are aimed at boosting business effectiveness, talent development and employee career progression.
- Management Development Plan (MDP): The goal of this programme is to provide participants with all they need to recognise their strengths and develop the abilities necessary to manage and lead teams. These sessions are interactive and participatory in nature. The participants are chosen from a pool of middle management leaders, who have been identified as potential leaders.
- Leadership Development Programme (LDP): We are committed to developing a strong leadership pipeline, as in any growth-oriented firm. We discover and train high-potential leaders for senior management positions.

# Social - People

## Employee engagement

We, at Laurus Labs, believe that a motivated workforce helps a company achieve its goals and foster a great culture. We offer a variety of projects focused on employee well-being and engagement around the world.

## Human rights

Our people strategies are focused on ensuring a safe working environment for all employees. We have developed policies that help streamline the day-to- day operations of the business, maintain order within the organisation and ensure that people are treated fairly and equally.

## Safety

Making our operations safe and secure, by developing adequate operating procedures, safety focused culture and improving equipment is our priority. We have designed detailed procedures (EHS Risk Assessment) for identifying work-related hazards and assessing risks on a routine basis to apply the hierarchy of controls to eliminate hazards and minimise risks. We have constituted a safety committee with joint members of management worker representatives to examine safety related matters. Individual contract workers can report their safety concerns to management through safety teams, line management, or quarterly held safety committee meetings.

# Social - Corporate Social Responsibility

## Laurus Labs seeks to contribute to the well-being of the communities in which it operates and be a responsible corporation and good corporate neighbour.

### Adoption of government schools

Laurus Labs signed a Memorandum of Understanding (MoU) with the state of Andhra Pradesh to adopt 359 schools under Connect Andhra programme. Through this programme, Laurus Labs will develop these adopted schools with better infrastructure facilities.

### Promoting education

To boost industry-academic collaboration and promote student employability, Laurus Labs signed memorandums of understanding with Gitam University and Krishna University, both in Andhra Pradesh. We also encourage school children to develop a scientific temperament and curiosity, encouraging them to pursue science courses as part of their further education.

### Science on Wheels

We continued our programme ‘Science on Wheels,’ a mobile laboratory with equipment to teach children science in a fun way through experiments, which is one of our outside-the-classroom activities. In and around Visakhapatnam, we regularly hold science fairs for children in government schools. Students in grades VI through X are taught by qualified instructors in the mobile van with the assistance of live models.

### Blood donation camps

Every year, staff at our R&D site in Hyderabad volunteer to donate blood at blood donation camps. It is held on June 28th to commemorate our Founder and CEO, Dr. Satyanarayana Chava’s birthday.

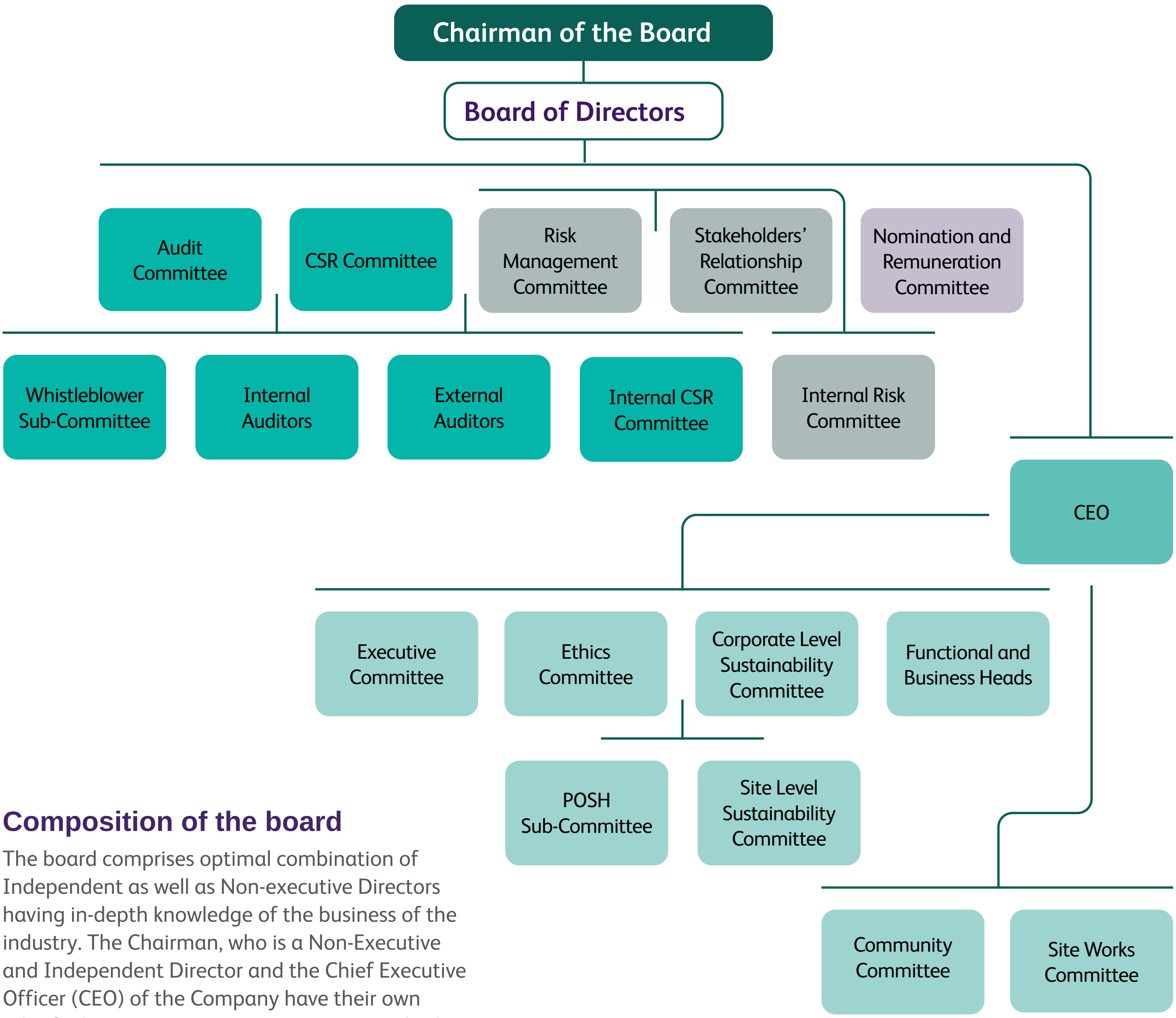
## Governance

# Integrity underpins our strategy

**Corporate governance has always been the cornerstone of Laurus management process. With a decision-making process based on decentralisation, empowerment and meritocracy, we are committed to the business' fundamental objective of maximising shareholder value. Upholding high standards of ethics, integrity and sustainability is not just about complying with laws and regulations; it is about making a positive impact on society in everything we do.**

### Governance framework

Our approach to corporate governance and the role it plays goes well beyond meeting our compliance obligations. We believe that our governance framework fosters our high performing and respectful culture while underpinning our values of integrity, patient focus, collaboration, innovation and superior performance.




### Composition of the board

The board comprises optimal combination of Independent as well as Non-executive Directors having in-depth knowledge of the business of the industry. The Chairman, who is a Non-Executive and Independent Director and the Chief Executive Officer (CEO) of the Company have their own roles for better Corporate Governance Standards.

## Skills & experience

Our Board of Directors provides oversight with respect to our strategic direction, overall performance, and key corporate policies. It approves major initiatives, advises on key financial and business objectives, and monitors progress with respect to these matters. Our Board is a diverse, highly engaged group of individuals that provides strong, effective oversight of the company. Both individually and collectively, our directors have the qualifications, skills, and experience needed to inform and oversee the company's long-term priorities.

Dr. M. Venu Gopala Rao

Dr. Lakshmana Rao C V

Mrs. Aruna Bhinge

Dr. Satyanarayana Chava

Mr. Chandrakanth Chereddi

Dr. Rajesh Koshy Chandy

Mr. V. V. Ravi Kumar

Dr. Ravindranath Kancherla

- Pharma industry experience in sourcing, manufacturing, marketing and business development
- Accounting, financial, budget and costing expertise
- Legal and HR expertise
- Experience in quality
- Expertise in corporate governance
- Formulation of effective strategy

### Board experience

| 11-20 years | 20-30 years | > 30 years |
|---|---|---|
| 12% | 50% | 38% |

### Board age profile

| 30-60 years | 61-90 years |
|---|---|
| 50% | 50% |

## Principles

### Ethics and Integrity

The Board is committed to the highest standards of ethics and integrity. Directors under the oath, commit to abide by the 'Code of Conduct', regulation and policies; while striving to demonstrate the behaviours that are consistent with the Company's Values.

### Responsible Conduct

The Board acknowledges the Company's role in contributing to the growth and development of the societies in which it operates; being accountable for our impact on the environment and society; and evolving as new priorities surface. Compliance with laws and regulations is a critical aspect of our citizenship efforts and we endeavour to supplement our compliance routines by maintaining an attitude of going above and beyond minimum requirements wherever possible.

### Accountability and Transparency

The Board commits to providing credible and comprehensive financial and non-financial reporting accompanied by robust feedback mechanism. With respect to the stakeholder interests, we will align with best practice relating to disclosures and be subject to internal and/or external assurance and governance procedures.

Governance

# Board of Directors

### Dr. M. Venu Gopala Rao
Non-Executive Chairman and Independent Director

**Key expertise**

General Management, Manufacturing efficiencies, and Entrepreneurship

**Key qualification**

B.Sc (Hons) in Chemical Engineering, Post-Graduate in Pulp and Paper Technology from the Forest Research Institute

A

### Dr. Satyanarayana Chava
Executive Director and Chief Executive Officer

**Key expertise**

+30 years' experience across R&D, API process, Manufacturing, Quality Control, Business development, Supply chain, Intellectual Property,

**Key qualification**

Ph D in Chemistry from Andhra University, Executive MBA from Indian School of Business

R

### Mr. V. V. Ravi Kumar
Executive Director and Chief Financial Officer

**Key expertise**

+30 years' experience in Finance, Information technology, M&A & Strategic alliance, HR, Supply chain and Sustainable Development

**Key qualification**

Master's in Commerce, Fellow member of Institute of Cost Accountants of India (formerly ICWAI)

C S R

### Dr. Lakshmana Rao C V
Executive Director

**Key expertise**

+25 years' experience in Quality control, Quality assurance, Regulatory affairs and Corporate Strategy and Implementation

**Key qualification**

PhD in Chemistry from Andhra University

R

(A) Audit Committee (R) Risk Management Committee

(C) CSR Committee (N) Nomination and Remuneration Committee

(S) Stakeholders' Relationship Committee

● Chairman ○ Member

### Mr. Chandrakanth Chereddi

Non-Executive Director

**Key expertise**

Project Management, Strategy (ex- McKinsey & Co.), Risk mitigation

**Key qualification**

B.E from Osmania University, Master's in Electrical and Computer Engineering from University of Illinois, PGP in Management from Indian School of Business

S R A C N

### Mrs. Aruna Bhinge

Independent Director

**Key expertise**

+17 years' experience in food security, Strategic planning (ex-Syngenta India)

**Key qualification**

Bachelor's from University of Poona, Master's in Science and Post-graduate in Management Studies (MMS) from University of Mumbai

C A

### Dr. Rajesh Koshy Chandy

Independent Director

**Key expertise**

Marketing Professor at London Business School, Business Educator, Writer, Strategy

**Key qualification**

Bachelor's in Engineering (Electronics and Communications), MBA from University of Oklahoma, Ph.D from University of Southern California, Member American Marketing Association

N R A

### Dr. Ravindranath Kancherla

Independent Director

**Key expertise**

Surgeries (Gastroenterology, Laparoscopic), Organ transplantation, Key advisor to Medical Fraternity for liver, pancreatic and bile duct resections. Chairman at Global Hospitals Group

**Key qualification**

MBBS and Masters in Surgery from Madras University, Fellowship of the UK Royal College of Surgeons FRCS (Glasg) & FRCS (Edin.)

N S

## Governance

# Management Team

**Dr. V Uma Maheswer Rao**

Executive Vice President
Chemical R&D

**Key expertise**

Extensive experience in process R&D, and API manufacturing process

**Key qualification**

Ph.D in Chemistry from Osmania University

**Mr. Srinivasa Rao S**

Executive Vice President
Manufacturing and operations

**Key expertise**

+27 years' experience in production planning, and execution of manufacturing processess

**Key qualification**

Masters in Chemistry

**Mr. Krishna Chaitanya Chava**

Executive Vice President
Head Synthesis and Ingredients

**Key expertise**

Strategy and Marketing

**Key qualification**

PG MFAB from ISB, Hyderabad, Masters in Mechanical Engineering from North Carolina State University, B.Tech from BITS Pilani

**Mr. Martyn Oliver James Peck**

Senior Vice President
Business Development

**Key expertise**

+21 years' experience across sourcing, purchasing, sales and market intelligence

**Key qualification**

BSc in Biological/Medicinal Chemistry

**Mr. Thomas Versosky**

President
FDF, North America

**Key expertise**

+16 years' experience in US generic across commercial operations, incl. portfolio management, business development, licensing & acquisitions

**Mr. Rajaram Iyer**

Senior Vice President
Portfolio Management

**Key expertise**

+23 years expertise in Strategic Planning, Portfolio Management & New business initiatives

**Key qualification**

Master in Analytical Chemistry, EGMP from IIM-Bangalore, MBA (Operations Research)

**Mr. Ch. Sita Ramaiah**

Senior Vice President
Finance

**Key expertise**

+20 years of experience in Treasury, Financial reporting, MIS and Taxation. Holds Directorship in LSPL & Laurus Generics GMBH

**Key qualification**

Fellow member of Institute of Chartered Accountants of India

**Mr. S. Srinivas Rao**

Senior Vice President
Manufacturing

**Key expertise**

+25 years' experience in field of production and manufacturing

**Key qualification**

Masters in Chemistry

**Mr. Narasimha Rao DVL**

Senior Vice President
Synthesis

**Key expertise**

28 years' experience. Currently hold Directorship in Laurus Synthesis Pvt Limited (LSPL)

**Key qualification**

Masters in Science

**Mr. Narasimha Rao Chava**

Senior Vice President
Human Resource

**Key expertise**

+25 years in the field of administration and Human Resources functions. Holds Directorship in LSPL

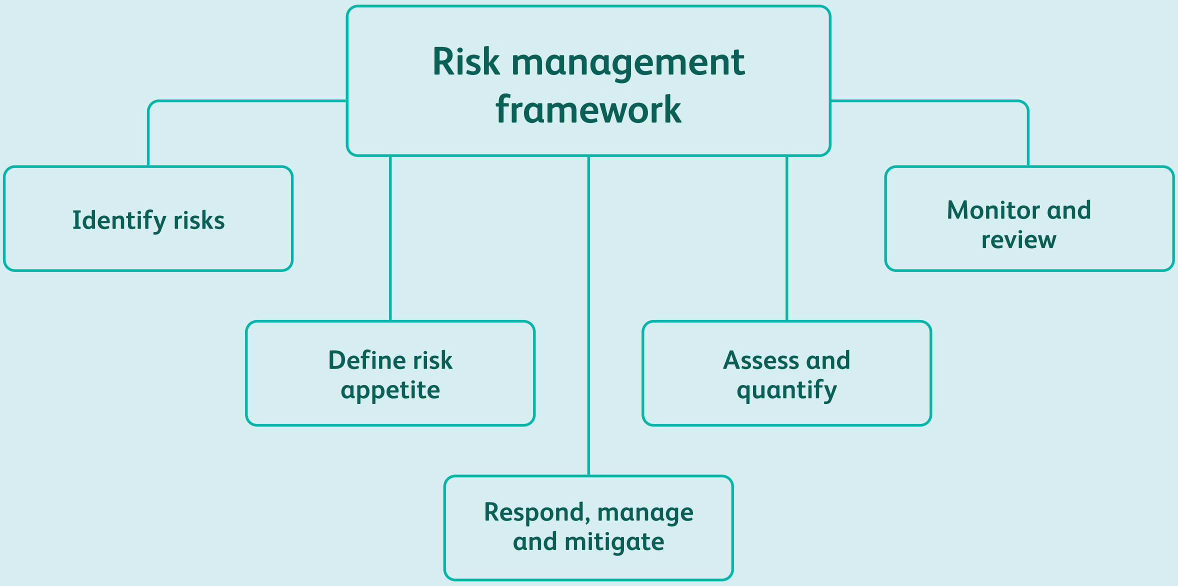
**Key qualification**

Masters in Arts from Andhra University

Risk Management

# A proactive and disciplined approach

**We recognise that managing risk effectively is integral to executing our strategy. In order to deliver our strategy and achieve excellence through our business model, both operationally and financially, we must ensure we maintain the right balance between safeguarding against potential risks and taking advantage of potential opportunities. Our aim is to foster a culture of effective risk management by encouraging appropriate and monitored risk-taking in order to achieve the Group's strategic priorities.**




## Risk management framework

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by the internal audit team. The Internal audit team undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

| Nature of Risks | Definition and impact | Mitigating factors |
|---|---|---|
| **Industry Risk** | Downturn in the industry could adversely impact the Company's performance | We have a presence in all of the world's major Pharmaceutical marketplaces, and we analyse our risks on a regular basis. To reduce the risk of our procurement, production, and distribution processes, we intend to establish a business continuity strategy. |
| **Competition Risk** | Competition in domestic as well as international markets could affect market presence | To maintain a cost advantage, we are building economies of scale in manufacturing, distribution, and procurement. Strengthening long-term relationships with our main customers by providing enhanced quality and service know-how. Implementing cost-cutting measures and enhancing the manufacturing efficiency of our plants. Investing in R&D with the goal of reducing raw material consumption and increasing productivity. |
| **Regulatory Risk** | Pharmaceutical business is highly regulated and is under continuous surveillance by various regulatory authorities. Inability to receive necessary approvals for manufacturing could affect business operations | To ensure compliance with the pharmaceutical industry's legislative requirements and regulations, we are improving our review mechanism. Our information management system detects changes in the regulatory environment and their impact in a timely manner, allowing us to stay on top of regulatory requirements. |
| **Innovation Risk** | Lack of niche products and processes may negatively affect growth rate | We ensure strong R&D capabilities and proven track record in filing, approval and commercialisation of niche products and processes. Our strong chemistry knowhow, efficient process optimisation and niche product portfolio have resulted in strong global presence and market leadership. |
| **Operating Risk** | Inability to manage vendor-cum-customer relationships could impact revenues | We have an ongoing action plan to de-risk the vendor based on both country risk as well as single source perspective. Despite a challenging business environment, we have effectively maintained our ties with vendors and customers, resulting in organisational stability and predictability. We have long-term partnerships with large worldwide and Indian pharmaceutical companies, ensuring revenue visibility. |
| **Capacity Planning and Optimisation Risk** | Inadequate capacity could jeopardise our capability to meet changing customer requirements, affecting margins | Our business team keeps a close eye on product trends to ensure that we have enough capacity to satisfy demand. We also make sure that we have solid mechanisms in place to check plant capacity on a regular basis. We push for changes in production methods including preventive maintenance plans and plant redesigns in the event of repeated malfunctions. |
| **Financial Risk** | Our expenses and investments are primarily in Indian currency. However, revenues are spread across various international currencies. Therefore, our net expenses and any future investment or other income may be vulnerable to fluctuations in exchange rates. | To protect ourselves, we have built a strong currency hedging plan. We are regularly evaluating derivatives to address this problem. |
| **Environment, Health and Safety** | Our business operations are subject to a wide range of challenging health, safety and environmental laws, standards and regulations from government and non-governmental bodies around the world. | We have increased our focus on energy sustainability. We ensure that the safety culture programme and behavioural requirements are implemented. On high-risk sites, we conduct thorough process safety audits to improve and ensure the work we do to make our manufacturing processes are as safe as possible. |

# Awards


**E&Y Entrepreneur of the Year 2021**

Healthcare and Life Sciences segment


**Emerging Company of the Year 2021**

Awarded by Economic Times – Corporate Excellence Awards

**Business Person of the Year 2021**

Awarded by Sakshi Excellence Awards

**AIMA Award**

Emerging Business Leader of the Year 2021

Great Place To Work® Certified FEB 2021-JAN 2022 INDIA

**Great Place to Work**

For the third consecutive time in a study conducted by the Great Place to Work® Institute

Great Place To Work® INDIA'S BEST LEADERS IN TIMES OF CRISIS 2021 Large Employers

**Great Place to Work**

Recognised Dr. Satyanarayana Chava, Founder & CEO as one of India's best Leaders in Times of Crisis 2021

# Management discussion and analysis

## 1. Economy review

### 1.1 Global economy

2021 has been another difficult year owing to the continuing and pervasive impact of COVID-19, especially with the advent of new variants caused significant challenges. Supply side constraints disrupted financial markets and businesses. Central banks proposed an array of measures to ensure credit was available to businesses and individuals. Large-scale vaccination drives around the world, coupled with accommodative policy measures, boosted economic recovery.

However, many low-income, emerging economies continue to struggle with the uncertainties unleashed by the pandemic. Rising supply chain disruptions, semiconductor shortages and the continued energy crisis have further worsened the situation. According to the International Monetary Fund (IMF) outlook as of January 2022, global growth is predicted to be 4.4% in 2022, down from 5.9% in 2021, and will further drop to 3.8% in 2023. But the forecast hinges upon improved health conditions induced by aggressive vaccination drives, coupled with the availability of advanced and effective therapies. By the second quarter of 2022, the negative impact is expected to lessen, provided there are no fresh outbreaks.

**Outlook**

Despite the impact of the pandemic, the unprecedented collective policy efforts by governments and central banks, paired with the resilience and innovations of private enterprises, have helped minimise lasting economic, psychological and physical damage across the world. While the direction of the Russia-Ukraine crisis remains uncertain, its impact on the global economy will remain. In the near term, many governments will need to cushion the blow of higher energy prices, diversify energy sources and increase efficiency wherever possible. Full economic revival seems to be further away, but when businesses and governments work in tandem, across borders and disciplines, we will be able to weather this storm and come out stronger and more resilient by the end of it.

### Global growth forecast (%)

| Particulars | Actual | Projections | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| **World Output** | 6.1 | 3.6 | 3.6 |
| **Advanced Economies** | 5.2 | 3.3 | 2.4 |
| **United States** | 5.7 | 3.7 | 2.3 |
| **Eurozone** | 5.3 | 2.8 | 2.3 |
| **Japan** | 1.6 | 2.4 | 2.3 |
| **United Kingdom** | 7.4 | 3.7 | 1.2 |
| **Other Advanced Economies** | 5.0 | 3.1 | 3.0 |
| **Emerging Market and Developing Economies** | 6.8 | 3.8 | 4.4 |
| **China** | 8.1 | 4.4 | 5.1 |
| **India** | 8.9 | 8.2 | 6.9 |

Source: International Monetary Fund (IMF)

### 1.2 Indian economy

According to World Bank projections, India will continue to be the world's fastest-growing major economy in the medium term, from 2021 to 2024. According to the Economic Survey 2021-22, India's GDP will grow at a 9.2% in 2022, up from a negative growth rate the previous year. India's increased capital expenditure is expected to boost the economy. The Union Budget 2022-23 increased the Capex budget by 35.4% to 7.5 trillion, or nearly 2.9% of GDP. The IMF expects India's prospects for 2023 to improve as credit growth improves and, eventually, investment and consumption.

India's response to the pandemic has been agile and decisive, with the government providing safety nets for vulnerable sections, while responding iteratively with policy support.

#### Outlook

India's broad range of fiscal, monetary, and health responses to the crisis aided its recovery, and several economic reforms are assisting in mitigating the crisis's long-term negative impact. With a strong financial system and a conducive economic budget in place to support the economic revival, the country appears well-positioned for a pick-up in private sector investment.

**Table: National Statistical Office's First Advanced Estimates (% change of Indian GDP over fiscal years)**

| | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|
| GDP | 4.2% | (7.3)% | 9.2% |

Source: Ministry of Statistics and Programme Implementation (MOSPI)

## 2. Industry review

### 2.1 Global Pharma Industry

According to The Global Spending and Usage of Medicines, released by the IQVIA™ Institute for Human Data Science, global spending on medicines — based on invoice price levels — is expected to grow at 3-6% CAGR through 2026 to reach about $1.8 trillion by 2026, including spending on COVID-19 vaccines and novel therapeutics.

The US market is forecast to grow by 0-3% CAGR over the next five years. Spending in the top five European markets is expected to increase by $51 billion. China is expected to increase its uptake of new and original medicines (growing by $35 billion by 2026), with spending in emerging markets likely to increase by $128 billion.

Global spending on vaccines is predicted to grow at 12-15%, reaching $46 billion in 2025. It is forecast that by 2026, specialty medicines will account for nearly 60% of total expenditure in high-income markets, with the remainder, predominantly older and traditional therapies, becoming progressively lower-cost over time. The two leading global therapy areas – oncology and immunology – are forecast to grow 9-12% and 6-9% CAGR respectively through to 2026, lifted by significant increases in new treatments and medicine use. It is expected that 100 more oncology treatments will come to market over five years.

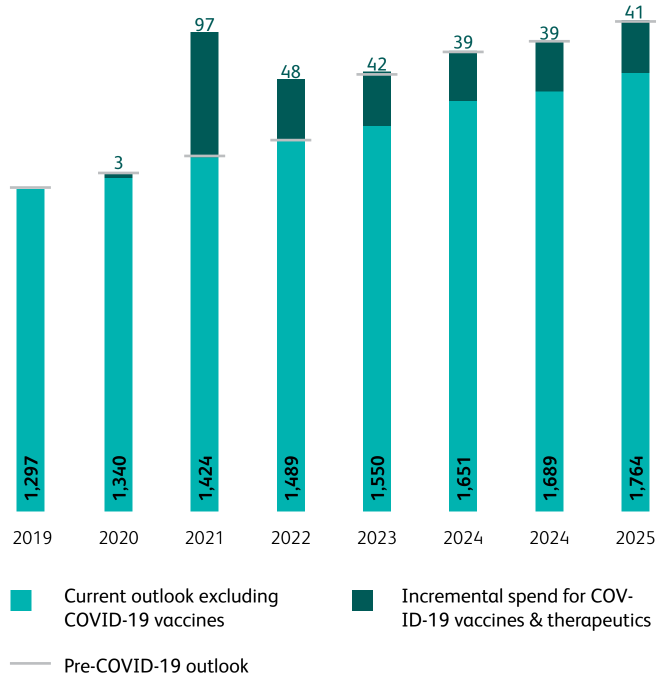
**100**

Oncology treatments estimated to come to market over five years

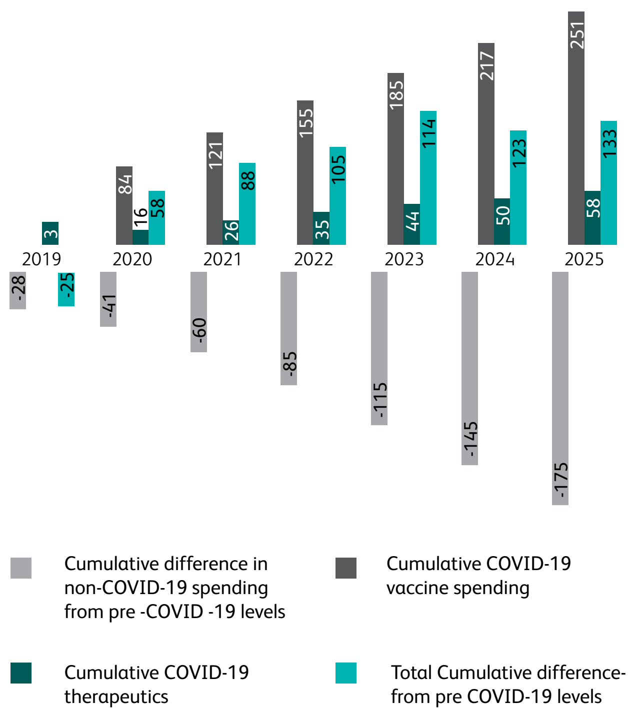
### Impact of COVID-19 on the use of medicines

Global spending, including COVID-19 vaccines and therapeutics, to exceed pre-pandemic outlook by $133 Bn to 2026

**Changes in the historical and projected global medicine spending model due to COVID-19, 2019-2026, US$ billion**




**Cumulative difference, US$ billion**




**Spending outlook change due to COVID-19:** $133 Bn, 2020-2026

=

**COVID-19 vaccine spending:**
$251 Bn ($185-$295Bn)

+

**COVID-19 therapeutics:**
$58 Bn ($48-69Bn)

+

**COVID-19 disruption impact:**
**$175 Bn 2020-2026**

### 2.2 Active Pharmaceutical Ingredients (API) Industry

According to Research & Markets, the global active pharmaceutical ingredients (API) market is anticipated to grow with a CAGR of 6.08% over the forecast period, i.e. 2021-30. The market is estimated to garner a revenue of $ 330 billion by the end of 2030, up from a revenue of around $185 billion in the year 2020.

The rising number of generic drug approvals, followed by rising demand for generic and biosimilar drugs, and rising healthcare expenditure are expected to drive market growth in the coming years. Furthermore, factors such as the rising prevalence of chronic diseases worldwide, which is driving the need for pharmaceutical drug manufacturers to develop advanced medicines to treat these diseases, are expected to drive the demand for active pharmaceutical ingredients (APIs) in the coming years, contributing to the market's growth.

**Laurus opportunity landscape**

The increased adoption of healthcare services has benefited the global APIs market significantly. The rising accessibility to affordable healthcare services has increased the demand for cost effective and high-quality medicines. Consequently, the need for cost effective and high-quality APIs is increasing for manufacturing finished drugs. Some of the key factors that are driving the market include the increasing prevalence of infectious diseases, cardiovascular conditions, and other chronic disorders.

### 2.3 Generics Market

According to Mordor Intelligence, the generic drugs market was valued at $364.93 billion in 2021, and it is expected to reach $468.79 billion by 2027, registering a CAGR of 4.27% during the forecast period of 2022-27.

COVID-19 severely impacted the generic drugs market during the early pandemic due to the lockdown restrictions and supply chain disruption. Later, there was increased demand for generic pharmaceuticals as the COVID-19 infections provided many opportunities for generic drug manufacturers to manufacture the drugs to treat this infection. The Food and Drug Administration received 121 requests for product development and pre-submission pre-abbreviated New Drug Application meetings in 2020. Increasing frequency of chronic diseases among the population along with increasing initiatives by the regulatory bodies to control them in the countries of the region is a main driver growth of the APAC.

**Laurus opportunity landscape**

Laurus currently supplies APIs to top 10 largest generic pharmaceutical companies and has an advantage in backward integration and due to significant investments in capacity. Laurus has filed 73 DMFs and 184 patents have been granted as on March 31, 2022.

### 2.4 Antiretroviral (ARV) market

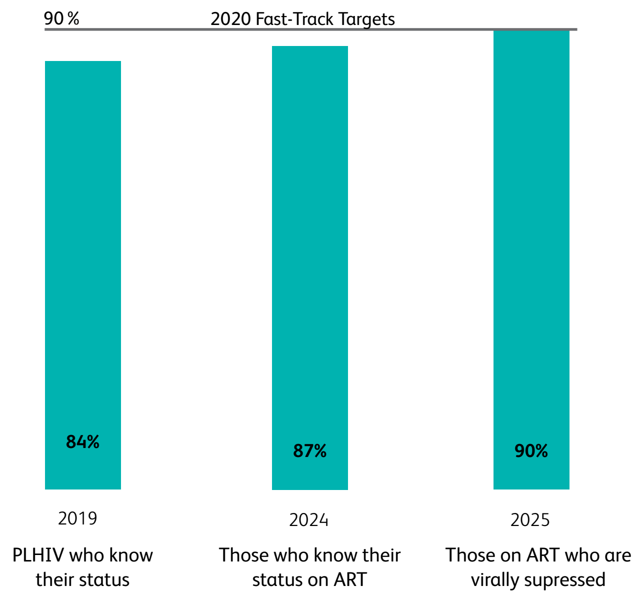
The global HIV drugs market is expected to grow from $ 31.23 billion in 2021 to $33.39 billion in 2022 at a compound annual growth rate (CAGR) of 6.9%. The change in growth trend is mainly due to the companies stabilising their output after catering to the demand that grew exponentially during the COVID-19 pandemic in 2020. The market is expected to reach $40.32 billion in 2026 at a CAGR of 4.8%. North America was the largest region in the HIV drugs market in 2021.Middle East is expected to be the largest growing region in the forecast period.

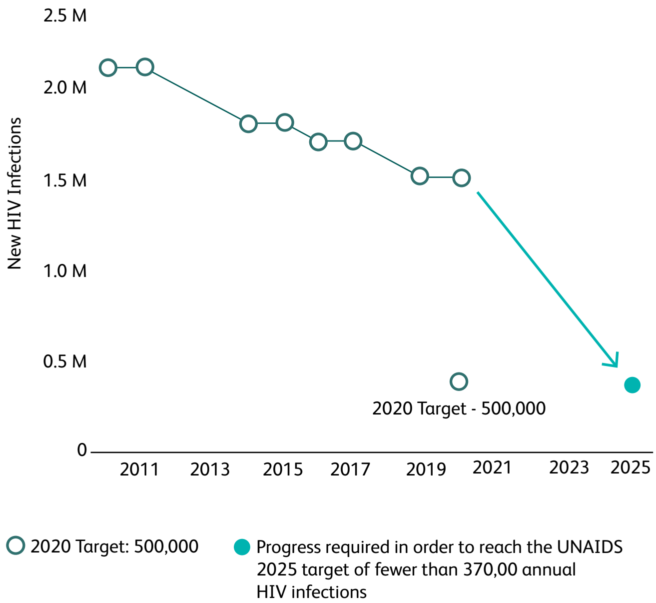
The corona virus accelerated the growth of the global HIV drug market. Viral medications are being repurposed to treat COVID-19 infections. Raising public awareness about the diagnosis and treatment of HIV disease is a key driver of the HIV drug market's expansion. HIV / AIDS is one of the most chronic diseases, and the disease's high prevalence in almost every part of the world has resulted in unprecedented public awareness of the disease.

**90%**

of the largest generic pharmaceutical companies source their APIs from Laurus

### Progress on HIV treatment – moving to 95-95-95 target




Source: 2021 Clinton Health Access Initiative HIV Market Report & WHO

#### Market drivers

- Growing occurrence rate of HIV, COVID-19 and other infectious diseases will boost the market demand
- High investment in research and development activities by major industry players will stimulate the market value
- Rising awareness and government initiatives in emerging nations for availability of advanced treatment therapies for sexually transmitted diseases will bolster the business expansion.
- Increasing product approvals to combat infectious disease burden will fuel the industry landscape
- The COVID-19 pandemic has positively influenced the market forecasts. Sudden surge in demand for effective medicines for coronavirus treatment will stimulate the market statistics.

According to WHO, 26 million people were diagnosed with HIV / AIDS in 2020, whereas 36.3 million people died of AIDS related illness at the end of 2019. The federal government agencies, and various associations across the globe have introduced many initiatives and education campaigns for community awareness to address HIV prevention, treatment, and care.

#### Laurus opportunity landscape

Being the cost leader in many ARV APIs, Laurus is best placed to garner attractive market share in ARV APIs and FDF tender market. Large scale, improved manufacturing processes has been the key factors in making Laurus the preferred API supplier in the ARV segment. At present, Laurus is supplying to 80% of the players who participate in ARV tenders. Being a fully integrated player gives Laurus the advantage to have superior margin profile as against non -integrated players.

### 2.5 CRAMS industry

According to Visiongain analysis, global pharmaceutical contract manufacturing market was valued at $115.8 billion in 2021, and is projected to reach $329.7 billion in 2032, registering a CAGR of 10.1% from 2022 to 2032. Europe Pharmaceutical Contract manufacturing market was the highest contributor to the global market generating $43.9 billion in 2021, and is projected to reach $113.9 billion in 2032, registering a CAGR of 9.1% from 2022 to 2032.

Factors such as rising R&D budgets and rising outsourcing activities from pharmaceuticals along with rising collaborative efforts will boost the growth of the market during the forecast period. Additionally, increased investment opportunities by pharmaceutical, biopharmaceutical, and medical device companies will increase the footprint of the market.

#### Laurus opportunity landscape

Laurus is uniquely positioned to work with customer needs at any stage of the product lifecycle. With over 250 scientists to provide process chemistry services to global clients, our CDMO division is well positioned to offer development and manufacturing service across the value chain from preclinical to lifecycle management. Laurus has created a wholly-owned subsidiary - Laurus Synthesis Pvt Ltd to increase its focus and dedicated R&D and two manufacturing site construction started to provide scale and flexibility for this divison.

### 2.6 Nutraceutical Market

The Global Nutraceuticals Market is estimated to be $224.56 billion in 2021 and is expected to reach $365.45 billion by 2026, growing at a CAGR of 10.23%. The key factor driving the market demand for fortified food is a survey conducted in the U.S. on which 89%. of consumers agreed that fortified food has health benefits beyond their primary nutrition. It helps in increasing health consciousness amongst consumers. Rising nutritional enrichment awareness in China and India is expected to keep the nutraceuticals industry growing.

The Indian nutraceutical ecosystem is expanding at a rapid pace, combining the disruptive potential of scientific discoveries with the growing popular demand for clean foods that add value to overall health. Nutraceuticals are being used more and more to support and develop immunity, bone health, heart and brain health, mental wellness, and overall physical wellness.

**Laurus Opportunity Landscape**

Laurus Labs has been at the forefront in developing and manufacturing pure, well-characterised specialty ingredients in nutraceutical/dietary supplements and cosmeceutical product segments. Our key strength lies in the development of alternate low-cost synthetic routes for typically naturally derived nutraceutical products. Patented combinations of nutraceuticals and pharmaceuticals may create rewarding business opportunities, going forward.

### 2.7 Biotechnology Industry

The global biotechnology services market is expected to grow from $129.14 billion in 2021 to $151.10 billion in 2022 at a compound annual growth rate (CAGR) of 17.0%. The market is expected to reach $267.29 billion in 2026 at a CAGR of 15.3%. Asia Pacific was the largest region in the biotechnology services market in 2021. North America was the second largest region in biotechnology services market.

The increasing pervasiveness of conditions like hepatitis B, diabetes and cancer is driving the research in biotechnology. Biotechnology uses research tools from biology and chemistry to study the genetic material of bacteria and viruses to check the disease-producing agent. Oncology research is most prominent among biopharma companies.

### 2.8 Indian pharma industry

In the global pharmaceuticals sector, India is a significant and rising player. India is the world's largest supplier of generic medications, accounting for 20% of the worldwide supply by volume and supplying about 60% of the global vaccination demand. The Indian pharmaceutical sector is worth $42 billion and ranks 3rd in terms of volume and 13th in terms of value worldwide. India is one of the highest exporters among pharma dominated countries as the exports stood at $24.44 billion in 2020-21 and $22.21 billion in 2021-22.

As of August 2021, CARE Ratings expect India's pharmaceutical business to develop at an annual rate of ~11% over the next two years to reach more than $60 billion in value.

**$42 Billion**

Indian pharmaceutical sector size

**Outlook**

The Indian pharmaceutical industry has made significant contributions to the country's healthcare and economic outcomes. The pandemic has created new opportunities as well as new challenges for the industry. To emerge as a winner in the post-pandemic world, the industry must continue to build on its strengths while also making a giant leap toward innovation. To bring skills and help industry move up the value chain, new capabilities must be introduced across business functions. The government must also provide the necessary enablers and a favourable business environment for growth.

## 3. Company overview

Laurus Labs is a leading developer and manufacturer of generic Active Pharmaceutical Ingredients (APIs) with a focus on products where it has cost leadership led by innovation in process chemistry and manufacturing efficiencies. Apart from manufacturing APIs, it develops and manufactures oral solid formulations, provides CRAMS services to several global pharmaceutical companies, and also produces specialty ingredients for nutraceuticals, dietary supplements, and cosmeceuticals companies. Laurus forayed into biotechnology achieved through investment made in Richcore by acquiring a majority equity. Laurus Bio will grow significantly in the long-term and would play a key role in the manufacture of recombinant food proteins.

**2021-22 business highlights**

- Cumulatively filed 30 ANDAs in US with 14 PARA IV filings and 10 FTF opportunities
- Brownfield expansion to add significant capacity should be operational by beginning of 2022-23
- Filed 315 patents out of that 184 patents granted as of March 31, 2022
- Expansion in CDMO capability on track to include new opportunities and extended service
- Greenfield investment to set up a dedicated R&D centre and manufacturing units is progressing as per our expectations

**Strategy**

**Short-term strategy**

- Leverage API cost advantage and diversification into Non-ARV APIs and formulations
- Develop the synthesis business
- Invest in fermentation capacity expansion at Laurus Bio
- ESG integration

### Long-term strategy

**Agile organisation by concentrating on key business enablers**

**Business**

- Proactive portfolio de-risking, enhanced procurement and operational efficiency
- Integrating & leveraging Richcore acquisition
- Widen technology portfolio and access new market opportunities
- Strengthen position with Big Pharma and market share gains in ARV portfolio
- Focus on talent attraction to support new growth projects

**Capital**

- Strong Balance sheet and Liquidity to weather unanticipated market conditions
- Committed to efficient capital allocation strategy to build value in long run

**Regulatory and compliance**

- Maintain compliance and quality leadership
- Continued review of environmental, social and governance (ESG) measures under expanded leadership

## 4. Research and development

Laurus Labs' Research & Development (R&D) is an ever-evolving centre for excellence and reinforces its belief in innovation and quality to magnify the Company's business aspiration. The focus of our R&D is to enhance innovation, process efficiency and manufacturing effectiveness in compliance with Laurus Labs core values and support the execution of business strategies. R&D supports the activities of our various businesses by developing breakthrough technologies in new products, process chemistry, analytical chemistry, process intensification and establishing technologies at commercial scale. We have a highly experienced team of dedicated scientists focusing on development of variety of niche generic products across the spectrum of available dosage formulation technologies.

- R&D team comprising of 652 scientists (12.29% of total employee strength) including over 41 PhDs
- Kilo Lab at R&D centre accredited by global regulatory agencies

## 5. Quality and compliance

We follow the philosophy of **"One quality Standard for all markets"**. We have established a well-defined validation and qualification structure to ensure that systems, facilities and processes are designed and developed in line with the needs of customers and to comply with regulatory requirements. Quality risk management procedures are established and followed for internal audits, failure inquiries and implementation of permanent corrective measures.

We have also established training procedures and systems for the training and development of our employees with respect to regulatory guidance, new developments and internal procedures. We continue to improve our quality systems to ensure compliance with ever evolving regulations. We always strive to stay ahead of the curve to ensure compliance with regulations and meeting patient needs.

## 6. Outlook

Going ahead, we have charted out our growth trajectory, spanning across APIs in the non-ARV space, fortifying position in the formulations and CDMO segments and tapping the new area of biologics (through Laurus Bio). We are looking to build in new capacities/facilities which would be the key factor for the growth in coming years.

## 7. Financial review

### Consolidated abridged Profit & Loss Statement

(₹ crore)

| Year | 2021-22 | 2020-21 | Growth (%) |
|---|---|---|---|
| Net Sales | 4,936 | 4,814 | 3% |
| EBITDA | 1,436 | 1,573 | 9% |
| PBT | 1,084 | 1,301 | (17)% |
| PAT | 828 | 984 | (16)% |

### Revenue from operations (net)

Revenue from operations increased by 3% to ₹4,936 crore in 2021-22. Revenues grew at moderate 3% but delivered strong mix improvement led by significant progress in Non-ARV business, especially CDMO-Synthesis

### Material Costs

Raw materials consumed maintained at 54.6% in 2021-22, against 54.2% in 2020-21. We are able to maintain the raw materials consumptions mainly due to better product mix, backward integration for some of key starting materials and better yields.

### Employee Expenses

People-related expenses increased to ₹502 crore in the financial year 2021-22 from ₹434 crore in the year 2020-21. This increase was due to increase in employee strength of more than 900 comparing to financial year 2020-21.

### Other Expenses

Other expenses include other operating expenses, marketing, R&D and administrative expenses stood at ₹818 crore in the financial year 2021-22 against ₹671 crore in the year 2020- 21. As a per cent of revenue, other expenses are at 17% as compared to 14% in previous year.

### Margins

The Company has able to maintain its margins despite of increase in R&D costs, with EBIDTA and net margins stood at 29% and 17% respectively in 2021-22 compared to 33% and 20% respectively in 2020-21.

### Balance Sheet

(₹ crore)

| Particulars (₹ crore) | As on 31.03.2022 | As on 31.03.2021 |
|---|---|---|
| EQUITY AND LIABILITIES | | |
| Shareholders' funds | | |
| Share capital | 107 | 107 |
| Reserves and surplus | 3,244 | 2,490 |
| Non- controlling interest | 8 | 3 |
| Non-current liabilities | 928 | 693 |
| Current liabilities | 2,681 | 2,458 |
| **Total** | **6,968** | **5,751** |

(₹ crore)

| Particulars (₹ crore) | As on 31.03.2022 | As on 31.03.2021 |
|---|---|---|
| ASSETS | | |
| Non-current assets | 158 | 143 |
| Fixed assets, CWIP and goodwill | 3,466 | 2,533 |
| Current assets | 3,344 | 3,075 |
| **Total** | **6,968** | **5,751** |

### Shareholders' Funds

Shareholders' Funds increased to ₹3,351 crore in 2021-22 from ₹2,597 crore in 2020-21 mainly due to increase in profits.

### Debt

| Particulars (₹ crore) | As on 31.03.2022 | As on 31.03.2021 | Change |
|---|---|---|---|
| BORROWINGS | | | |
| Long term borrowings | 596 | 429 | 167 |
| Current maturities of LTB | 225 | 138 | 87 |
| Short term borrowings | 911 | 886 | 25 |
| **TOTAL** | **1,732** | **1,453** | **279** |

The debt-to- equity ratio was 0.52 in 2021-22 versus 0.56 in 2020-21.

### Fixed Assets

The gross carrying value of Fixed Assets increased to ₹3,331 crore in 2021-22 primarily due to capitalization of additional blocks in the existing facilities, acquisition of new lands for expansion and acquisitions.

### Working Capital

### Consolidated working capital

| Particulars (₹ crore) | As on 31.03.2022 | As on 31.03.2021 | Change |
|---|---|---|---|
| Trade receivables (A) | 1,354 | 1,306 | 48 |
| Inventories (B) | 1,760 | 1,575 | 185 |
| Trade payables (C ) | 876 | 1,179 | 303 |
| Working capital D: (A+B-C) | 2,238 | 1,702 | 536 |
| Other current assets (E ) | 230 | 193 | 37 |
| **Total current assets (D+E)** | **2,468** | **1,895** | **573** |
| Short term borrowings (F) | 911 | 886 | 25 |
| Other current liabilities (G) | 669 | 254 | 415 |
| **Total current liabilities (F+G)** | **1,580** | **1,140** | **440** |

**828 crore**

PAT

**Ratios**

| Key Ratios* | As on 31.03.2022 | As on 31.03.2021 |
|---|---|---|
| Debtors Turnover | 3.7 | 3.7 |
| Inventory Turnover | 3.0 | 3.1 |
| Interest coverage ratio | 16.7 | 27.2 |
| Current ratio | 1.25 | 1.25 |
| Debt equity ratio | 0.52 | 0.56 |
| Operating profit margin (EBIDTA) % | 29.1% | 32.7% |
| Net profit margin % | 16.8% | 20.4% |
| Return on net worth % | 27.8% | 45.1% |

*all numbers based on consolidated financials

## 8. Internal control systems & adequacy

Laurus Labs has adequate internal control systems and procedures, covering all financial and operating functions commensurate to its size and nature of operations. A strong internal control framework is among the important pillars of corporate governance and the Company strives to enhance it consistently. It is designed to provide reasonable assurance regarding maintaining of accounting controls and assets from unauthorised use or losses. The audit committee considers all internal aspects and advises corrective actions as and when required.

## 9. Cautionary statement

Certain statements in this report describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable securities, laws and regulations. Although the expectations are based on reasonable assumptions, actual results could materially differ from those expressed or implied.

# Board's Report

To,
The Members of
**Laurus Labs Limited**

Your Directors have pleasure in presenting the 17th Annual Report of the Company together with the Audited Financial Statements for the Financial Year ended March 31, 2022.

## Standalone and Consolidated Financial Highlights:

(₹ in crore)

| Particulars | Consolidated | | Standalone | |
|---|---|---|---|---|
| | 2021-22 | 2020-21 | 2021-22 | 2020-21 |
| Gross Income | 4,936 | 4,814 | 4,707 | 4,769 |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | 1,436 | 1,573 | 1,299 | 1,532 |
| Finance Charges | 102 | 68 | 96 | 66 |
| Depreciation/Amortisation | 251 | 205 | 235 | 197 |
| Net Profit Before Tax | 1084 | 1301 | 975 | 1,275 |
| Provision for Tax | 252 | 317 | 225 | 319 |
| Net Profit After Tax carried to Balance Sheet | 832 | 984 | 750 | 956 |
| Interim Dividend | - | - | 107 | 107 |

## Company's Affairs:

### (i) Operations:

The year 2021-22, is also a another challenging year due to the outbreak of the Second and third wave of COVID-19. Even during these difficult times, your Company could be able to maintain its performance similar to the previous year. During the year under review, the Turnover of your Company increased from ₹4,814 crore to ₹4,936 crore which is around 3% growth but delivered strong mix improvement led by significant progress in Non-ARV business, especially CDMO-Synthesis business. This division has grown by 77% contributing 19% of total revenues this year as against 11% contribution of total revenues of previous year.

**During the year under review –**

- The FDF Division which has started its commercial operations three years ago, has achieved a record growth and contributed a turnover of ₹1,880 crore.
- The Synthesis division also achieved its all time high growth and contributed a turnover of ₹917 crore.
- Bio division Recorded ₹100 crore turnover and improved materially over pre-acquisition annualised run-rate.
- The Company has also signed an agreement with MPP (Medicine Patient Pool) to manufacture Molnupiravir, oral COVID-19 antiviral medication.
- The Company received purchase orders from a leading Global Life Sciences Company which is material order in terms of our materiality policy.
- Fixed Assets of the Company have been increased by more than ₹900 crore.
- The Company has added 1 billion units capacity in its Formulation Unit by undertaking debottlenecking of existing facility and added new block for 4 billion units capacity.
- The Company has acquired lands for two API manufacturing units in Visakhapatnam and one land parcel in Hyderabad for further expansion and its 100% subsidiary LSPL has acquired two land parcels for manufacutring in Visakhapatnam and one land parcel for its R&D facility in Hyderabad.
- The Company has spent ₹202 crore on its R&D which is 4% of total sales. The Company has also filed 12 DMFs during the year.
- 106 Customers audits have been completed successfully during the year; and 44 site audits have also been completed successfully by international health authorities including USFDA, WHO Geneva, ANVISA Brazil since 2018.
- The Company has acquired 26.62% of stake in Immunoadoptive Cell Therapy Private Limited on fully diluted basis, with around ₹46 crore investment, and has has paid the subscription amount of ₹27.60 crore (Rupees Twenty-Seven crore and Sixty lakh only) as "Tranche 1 Subscription Amount" on December 9, 2021.

### (ii) COVID-19

Your Company supported colleagues and their families, society and Government bodies during these tough times.

A thorough thermal scanning and sanitisation protocols were continued during the year at all the plants and offices. Monitoring of employees for signs and symptoms through voluntary disclosure was continued. Additional buses provided to maintain physical distance. Work from home facility was provided wherever possible to maintain lean staff in the work area.

Your Company is committed to support the Government and other authorities to extend its helping hand in the fight against COVID-19 pandemic.

**(iii) Outlook:**

Business prospects may remain positive because of the growing global demand for generics and opportunities provided by the expiry of patents in developed markets. Customs Synthesis division of your Company is expected maintain similar growth in FY2023 as well. Post COVID-19, there are new business opportunities for the pharmaceutical industry, in particular, our Company. But, of course, there are challenges too in logistics, supply chain management etc. due to extensive lock downs because of Covid impact in China and other parts of the world.

**Management Discussion & Analysis:**

Various business aspects including market conditions, business opportunities, challenges etc. have been discussed at length in the Management's Discussion and Analysis (MD&A), which forms part of this Annual Report.

**Dividend:**

Your directors are pleased to inform you that the Board has declared the 1st interim dividend @ 40% (i.e. ₹0.80 per share of the face value of ₹2/- each) and paid to the Shareholders in November, 2021 and the 2nd Interim dividend @ 60% (i.e. ₹1.20 per share of the face value of ₹2/- each) and being paid to the shareholders in May, 2022 aggregating to 100% dividend i.e. ₹2/- per share of the face value of ₹2/- each relating to the FY2022.

**Transfer to Reserves:**

Your Company did not transfer any portion of profits to Reserves.

**Share Capital:**

**During the year under review-**

- Company has allotted 7,56,950 (Seven Lakh Fifty Six Thousand Nine Hundred and Fifty only) equity shares of ₹2/- to various eligible employees of the Company under Employee Stock Option Schemes-2016 & 2018 upon exercise of their vesting rights in December, 2021. As a result, the paid-up share capital as on 20$^{th}$ December, 2021 stood at ₹10,74,718,670/- divided into 53,73,59,335 shares of ₹2/- each
- Dr. Satyanarayana Chava and Mrs. Nagarani Chava, the promoters of the Company have transferred their shares to a Partnership Firm M/s. NSN Holdings represented by its Managing Partner Dr. Satyanarayana Chava and as a result M/s. NSN Holdings has been inducted as the Promoter of the Company. All the required compliances as per SEBI SAST Regulations have been duly complied in this regard.

**Change in the nature of the business, if any:**

There is no change in the nature of the business of the Company or any of its subsidiaries or associates, during the year under review. However, the Company has acquired 26.62% of stake in Immunoadoptive Cell Therapy Private Limited on fully diluted basis, with around ₹46 crore investment, and has has paid the subscription amount of ₹27.60 crore (Rupees Twenty-Seven crore and Sixty lakh only) as "Tranche 1 Subscription Amount" on December 9, 2021. The promoters of your Company, namely Dr. Satyanarayana Chava, Mr. V. V. Ravi Kumar and Dr. Lakshmana Rao C V have also invested in this company in their personal capacity as well.

This company is in to research and providing of CAR-T therapy to the cancer patients which is very successful and the terminally ill patients have been recovered and survived during the trials undertaken by this company.

The investment in ImmunoACT is part of the larger strategy to strengthen biologics business of the Company and this provides us access and entry into an emerging field of research. CAR-T therapy is very promising treatment option which has had great success in the western part of the world. In India, CAR-T therapy is not available and this collaboration will help us in bringing this novel technology to the Indian cancer patients at a very affordable pricing.

**Material Changes and commitments, affecting the financial position of the Company:**

There are no material changes and commitments affecting the financial position of the Company that have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the Report i.e. between March 31, 2022 to April 28, 2022.

**Fixed Deposits:**

The Company did not accept any fixed deposits.

**Subsidiaries, Associates and Joint Ventures:**

During the year, the following activities took place at subsidiaries and/or associates level:

a) The Company has acquired 26.62% of stake in Immunoadoptive Cell Therapy Private Limited on fully diluted basis, with around ₹46 crore investment, and has has paid the subscription amount of ₹27.60 crore (Rupees Twenty-Seven crore and Sixty lakh only) as "Tranche 1 Subscription Amount" on December 9, 2021.

b) During the period under review, it has been decided to voulantarily strike off the name of the step down subsidiary of the Company, Laurus Ingredients Private Limited from the Regsiter of Companies and necessary applications as required under Section 248 have been filed with the respective ROC since there was no business activity in this step down subsidiary for more than an year.

c) The Company has infused more capital into Laurus Generics Inc., due to its increase in operations, to a tune of USD 2 Millions.

**Therefore, at the end of the year, the status of the subsidiaries/associates is as follows:**

| Name of the Holding Company | Name of the Subsidiary | % shareholding | Status |
|---|---|---|---|
| Laurus Labs Limited | Sriam Labs Pvt. Ltd. | 100% | WOS* |
| | Laurus Holdings Limited, United Kingdom | 100% | WOS |
| | Laurus Synthesis Pvt. Ltd. | 100% | WOS |
| | Laurus Generics (SA) Pty. Ltd. | 100% | WOS |
| | Laurus Bio Pvt. Ltd. | 76.60% | Subsidiary |
| | Immunoadoptive Cell Therapy Private Limited | 26.62% $ | Associate |
| Laurus Holdings Ltd., UK | Laurus Generics GmbH, Germany@ | 100% | WOS |
| | Laurus Generics Inc., USA@ | 50.76% # | Subsidiary |

* WOS means Wholly-Owned Subsidiary

$ The Company has so far contributed a 1st tranche investment amount of ₹27.60 crore and has got 18.94% voting rights as on date and upon payment of balance amount as per Shareholders' Agreement, your Company's voting rights will go up to 26.62%.

@ Laurus Generics GmbH, Germany and Laurus Generics Inc., are step-down subsidiaries of Laurus Labs Limited

# Balance 49.24% is held by your Company.

As per Section 129(3) of the Companies Act, 2013 the consolidated financial statement of the Company and all its Subsidiaries and Associates prepared in accordance with the applicable accounting standards forms part of this Annual Report. Further, a statement containing salient features of the financial statements of our subsidiaries and associates in the prescribed form in AOC-1 is attached as **Annexure-1** to the Directors' Report.

### Consolidated Financial Statements:

Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of applicable Accounting Standards and the provisions of Companies Act, 2013. As per the provisions of Section 136 of the Companies Act, 2013, the Company has placed separately the audited financial statements of its subsidiaries on its website www.lauruslabs.com and copies of audited financial statements of the subsidiaries will be provided to the Members at their request.

### Particulars of Loans, Guarantees and Investments:

The Company has also issued a Corporate Guarantee to the Bankers for the loans sanctioned to Laurus Synthesis Private Limited and for Laurus Bio Private Limited and the guarantees provided are well within the limits prescribed under Section 186 of the Companies Act, 2013.

### Board of Directors and Key Management Personnel:

As per the provisions of the Companies Act, 2013, Mr. V. V. Ravi Kumar and Mr. Chandrakanth Chereddi, Directors, will retire at the ensuing annual general meeting and, being eligible, seek reappointment. The Board of Directors recommends their re-appointment.

As per the SEBI (LODR) Regulations, 2015; the members of the Board and Nomination Remuneration Committee have stipulated the following skills and capabilities required for the fulfillment of the roles of Independent Directors of the Company.

a) Hands on Pharma industry experience in sourcing, manufacturing, marketing and business development

b) Accounting, Financial, Budget, Costing expertise

c) Expertise in Corporate Governance

d) Formulation of effective strategy

Dr. Venugopala Rao Malempati and Dr. Ravindranath Kancherla, the Independent Directors of the Company have successfully completed their first term of five years as Independent Directors and the Board proposes to re-appoint Dr. M. Venugopala Rao for a second term of 2 years only and Dr. Ravindranath Kancherla for a second term of 5 years with effect from May 18, 2022 as per the provisons of Section 149. The Board of Directors recommends their re-appointment as they have fulfilled all the necessary eligibility criteria as required under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

During the period under review Dr. Satyanarayan Chava, Executive Director and CEO and Dr. Ravindranath Kancherla, Non-Executive Independent Director of the Company have been appointed on the Board of Immunoadoptive cell Therapy Private Limited as Nominee Directors with effect from December 9, 2021.

### Board Meetings:

The Board and Committee meetings are pre-scheduled and a tentative calendar of the meetings shall be finalised in consultation with the Directors to facilitate them to plan their schedule. However, in case of urgent business needs, approval is taken by passing resolutions through circulation. During the year under review, Six board meetings were held. The details of the meetings including the composition of various committees are provided in the Corporate Governance Report.

**Performance Evaluation:**

The formal annual evaluation of the performance of the Board as well as non-independent directors was undertaken by the Nomination and Remuneration Committee. The performance of Board Committees and of individual independent directors was undertaken by the Board members.

The manner of the evaluation of the Board and other Committees has been determined by the Nomination and Remuneration Committee as per SEBI circular dated January 5, 2017.

**Declaration from Independent Directors:**

The independent directors have submitted the declaration of independence stating that they meet the criteria of independence as prescribed in sub-section (6) of Section 149 of the Companies Act, 2013 as well as under Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**Policy on Directors' Appointment and Remuneration:**

The policy of the Company on directors' appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of a director and other matters are adopted as per the provisions of the Companies Act, 2013. The remuneration paid to the Directors is as per the terms laid out in the nomination and remuneration policy of the Company.

The nomination and remuneration policy is adopted by the Board and the salient features of the policy are as follows:

- Non-Executive and Independent Directors **("NEDs")** will be paid remuneration by way of sitting fees and commission. The remuneration/ commission/ compensation to the NEDs will be determined by the Nomination and Remuneration Committee **("Compensation Committee")** and recommended to the Board for its approval.
- As approved by the shareholders at the shareholders meeting held on July 20, 2016 commission will be paid at a rate not exceeding 1% per annum of the profits of the Company computed in accordance with Section 198 of the Act.
- The payment of the Commission to the NEDs will be placed before the Board every year for its consideration and approval. The sitting fee payable to the NEDs for attending the Board and Compensation Committee meetings will be fixed, subject to the statutory ceiling. The fee will be reviewed periodically and aligned to comparable best in class companies.
- NEDs will not be eligible to receive stock options under the existing employee stock option scheme(s) **("ESOP")** of the Company.
- The compensation paid to the executive directors (including the Managing Director) will be within the scale approved by the shareholders. The elements of the total compensation, approved by the Compensation Committee will be within the overall limits specified under the Act.
- The Company's total compensation for Directors and Key Managerial Personnel as defined under the Act/other employees will consist of:
  - fixed compensation
  - variable compensation in the form of annual incentive
  - benefits
  - work related facilities and, perquisites

Changes made to the policy: Nil

The Nomination and Remuneration Policy is placed on the Company's website and the following is web address of the said policy.

https://www.lauruslabs.com/Investors/PDF/Policies/Remuneration_Policy.pdf

**Dividend Distribution Policy:**

The web link of the Dividend Distribution Policy has been provided below for the perusal of the shareholders.

https://www.lauruslabs.com/Investors/PDF/Policies/Dividend_Policy.pdf

**Risk Management:**

Your Company had formulated a risk management policy for dealing with different kinds of risks that it faces in the day-to-day operations of the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal financial control systems and procedures to mitigate the risk. The risk management procedure is reviewed by the Risk Management Committee and Board of Directors on a regular basis at the time of review of quarterly financial results of the Company. Further, your Company had constituted a Risk Management Committee which lays down various risk mitigating practices that your Company is required to implement in the Company.

**Adequacy of Internal Financial Controls:**

The internal financial controls with reference to the Financial Statements, apart from statutory audit, internal audit and cost compliance, are adequate to the size and operations of the Company.

**Directors' Responsibility Statement:**

In terms of Section 134(3)(c) of the Companies Act, 2013, the Board of Directors of the Company states that:

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis;

(e) the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operative effectively; and

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operative effectively.

**Related Party Transactions:**

In accordance with Section 134(h) of the Companies Act, 2013 and Rule 8(2) of Companies (Accounts) Rules, 2014, the particulars of contracts or arrangements entered into by the Company with the Related Parties referred to in Section 188(1) of the Act, have been provided in Form AOC-2 and attached the same as **Annexure-2**

The details of related party disclosures as stated in the notes to the financial statements forms part of this annual report.

**Vigil Mechanism:**

The Company established a whistleblower policy in order to assure that the business is conducted with integrity and that the Company's financial information is accurate.

**Auditors:**

**(i) Statutory Auditors:**

M/s. Deloitte, Haskins & Sells LLP, Firm Registration No.117366W/W-100018 are proposed by the Board of Directors for the Appointment as Statutory Auditors of the Company for the second term of Five years from the conclusion of this 17th AGM to till the conclusion of 22nd AGM of the Company at a remuneration decided by the Board.

**(ii) Cost records and Auditors:**

The Company is required under Section 148(1) of the Companies Act, 2013 read with Companies (Audit & Auditors') Rules, 2014 and the Companies (Cost Records and Audit) Amendments Rules, 2014, the Company is required to maintain the cost records in respect of its business and accordingly such accounts and records are made and maintained.

Your Board has re-appointed M/s. Sagar & Associates, Cost Accountants, as the Cost Auditors of the Company for the Financial Year 2022-23. As required by the Act, the remuneration of the Cost Auditors has to be ratified by the Members and accordingly the resolution relating to the Cost Auditors is being placed before the Members for their ratification.

**(iii) Secretarial Auditors & Secretarial Audit Report:**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has re-appointed Y. Ravi Prasada Reddy, Practising Company Secretary (CP No. 5360) proprietor of RPR & Associates, to undertake the Secretarial Audit of the Company for the financial year 2021-22. The Secretarial Audit Report issued in Form MR-3 is in **Annexure-3** to this Report. There are no qualifications, reservations or adverse remarks in the Secretarial Audit Report.

**Auditors' Qualifications/ reservations/ adverse remarks/ Frauds reported:**

There are no Auditors' Qualifications or reservations or adverse remarks on the financial statements of the Company. The Auditors have not reported any frauds to the Audit Committee as prescribed under Section 143(12) of the Companies Act, 2013.

**Significant and material orders passed by the Courts/Regulators:**

There are no significant and material orders passed by the Courts or Regulators against the Company.

**Rating:**

CARE has revised and improved its rating of "AA- with outlook Positive" to "AA with Stable outlook" on the long-term bank facilities of the Company and Reaffirmed A1+ on the short-term bank facilities of the Company.

**Insurance:**

All properties and insurable interests of the Company including buildings, plant and machinery and stocks have been fully insured.

**Corporate Social Responsibility initiatives:**

Pursuant to the provisions of Section 135 and Schedule VII of the Companies Act, 2013, CSR Committee of the Board of Directors had framed the policy on Corporate Social Responsibility and the Projects and Programmes undertaken by the Company during the year under review have been provided in **Annexure-4** and forms part of this Report.

### Annual Return:

As required pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014 (as amended), a copy of the Annual Return of the Company shall be placed on the Website of the Company at www.lauruslabs.com.

### Statement of Particulars of Appointment and Remuneration of Managerial Personnel/ employees:

In accordance with the provisions of Section 134 and Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the statement of particulars of appointment and remuneration of managerial personnel and employees is attached in **Annexure-5** to this Report.

### Human Resources:

The management believes that competent and committed human resources are vitally important to attain success in the organisation. In line with this philosophy, utmost care is being exercised to attract quality resources and suitable training is imparted on various skill-sets and behavior. Various initiatives were undertaken to enhance the competitive spirit and encourage bonding teamwork among the employees even during the COVID pandemic outbreak, which resulted to uninterrupted operations of the Company and could achieve the targeted growth in the performance of the Company.

### Employee Stock Options:

During the year, the Company has allotted 7,56,950 (Seven Lakh fifty six thousand Nine hundred and fifty only) equity shares of ₹2/- to various eligible employees of the Company under Employee Stock Option Schemes-2016 & 2018 upon exercise of their vesting rights in December, 2021.

The details of stock options are as mentioned in **Annexure-6** and forms part of this Report. Further, the details of the stock options stated in the notes to accounts of the financial statements also forms part of this Annual Report.

Your Company has proposed and got approval for a new ESOP Scheme 2021 with one million stock options which is around 0.20% of the paid-up capital of the Company to be gratned to the eligible employees in future to attract and retain talented employees in the last Annual General Meeting of the Company.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgo:

The information required under Section 134 (3) (m) of the Companies Act, 2013, read with Rule 8(3) of Companies (Accounts) Rules, 2014, is appended hereto as **Annexure-7** and forms part of this Report.

### Policy on Prevention of Sexual Harassment:

The Company has formulated and implemented a policy for Prevention of Sexual Harassment of Women at workplace. During the year under review, the Company has not received any complaints under the policy.

The Company has many systems, processes and policies to ensure professional ethics and harmonious working environment. We follow Zero Tolerance towards Corruption and unethical conduct. These are ensured through whistle-blower Policy, Anti-Corruption Policy, Gift Policy, Sexual Harassment Policy and Redressal Guidelines.

The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### BSE 200:

The Equity Shares of your Company have been inducted in S&P BSE 200 indices with effect from December 20, 2021

### Corporate Governance:

A separate section on Corporate Governance practices followed by your Company, as stipulated under Schedule V(C) of the SEBI (LODR) Regulations, 2015 is enclosed and forming part of this report.

The certificate of the Practising Company Secretary Mr. Y. Ravi Prasada Reddy with regard to compliance of conditions of corporate governance as stipulated under Schedule V (E) of the SEBI (LODR) Regulations, 2015 is annexed to the Report on Corporate Governance.

### Business Responsibility Report (BRR)

The Listing Regulations mandate the inclusion of the BRR as part of the Annual Report for top 1,000 listed entities based on market capitalisation. In accordance with the Listing Regulations, we have integrated BRR disclosures into our Annual Report.

### Awards:

During the period under review your Company and the top level management has achieved the following accolades to suit up their efforts for all these years.

- Dr. Satyanarayana Chava, Founder & CEO, Laurus Labs, has won Sakshi Business Excellence Awards, Business Person of the year, for the year 2019-20;
- Dr. Satyanarayana Chava has won the E&Y Entrepreneur of the Year 2021 award and also won AIMA's Emerging Business Leader of the Year 2021 Award;
- Great Place to Work® India has recognised Dr. Satyanarayana Chava, Founder and CEO, Laurus Labs as one of India's Best Leaders in Times of Crisis 2021;

- Dr. Satyanarayana Chava, Founder & CEO, Laurus Labs was conferred an honorary doctorate by renowned Vignan University, Guntur, Andhra Pradesh. The doctorate was conferred as a recognition of his contributions to pharma and biotechnology fields;
- Your Company received the Economic Times award for Corporate Excellence "Emerging Company of the year 2021;
- Your Company was certified as "Great Place to Work" for the 4th consecutive year.

**Acknowledgements:**

Your Directors would like to place on record their sincere appreciation to customers, business associates, bankers, vendors, government agencies and shareholders for their continued support.

Your Directors are also happy to place on record their sincere appreciation to the co-operation, commitment and contribution extended by all the employees of the Laurus family and look forward to enjoying their continued support and cooperation.

For and on behalf of the Board

| | | |
|---|---|---|
| | **Dr. Satyanarayana Chava** | **Mr. V. V. Ravi Kumar** |
| | Executive Director & | Executive Director & |
| Hyderabad | Chief Executive Officer | Chief Financial Officer |
| April 28, 2022 | DIN: 00211921 | DIN: 01424180 |

# ANNEXURE – 1

## FORM AOC – 1

### PART – A: SUBSIDIARIES INFORMATION

| Sl. No. | Particulars | Details | | | | |
|---|---|---|---|---|---|---|
| 1 | Name of Subsidiary | Sriam Labs Private Limited | Laurus Synthesis Private Limited | Laurus Holdings Ltd. UK | Laurus Generics SA (Pty.) Ltd. | Laurus Bio Private Limited |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | April 1, 2021 to March 31, 2022 | | | | |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | Indian Rupees (in crore) | Indian Rupees (in crore) | GB Pound (in crore) | ZAR (in crore) | Indian Rupees (in crore) |
| 4 | Share capital | 14.20 | 0.10 | 0.11 | 0.00 | 0.26 |
| 5 | Reserves & Surplus | 23.91 | 18.39 | 0.12 | 4.62 | 33.92 |
| 6 | Total Assets | 58.09 | 226.39 | 1.46 | 6.53 | 128.01 |
| 7 | Total Liabilities | 19.98 | 207.90 | 1.23 | 1.91 | 93.83 |
| 8 | Investments | | | | | |
| 9 | Turnover | 97.36 | 91.20 | 0.79 | 6.27 | 100.28 |
| 10 | Profit before taxation | 17.92 | 43.75 | 0.02 | 6.43 | 23.09 |
| 11 | Provision for taxation | 5.23 | 12.49 | 0.00 | 1.80 | 2.97 |
| 12 | Profit after taxation | 12.69 | 31.26 | 0.02 | 4.63 | 20.13 |
| 13 | Proposed Dividend | - | - | - | - | - |
| 14 | % of shareholding | 100% | 100% | 100% | 100% | 76.60% |

### PART - B: ASSOCIATES AND JOINT VENTURES

| Sl. No. | Name of Associates/Joint Ventures - ImmunoAdoptive Cell Therapy Private Limited | March 31, 2022 |
|---|---|---|
| 1 | Latest Audited Balance Sheet Date | April 26, 2022 |
| 2 | Shares of Associate/ Joint Ventures held by the Company on the year end | |
| | 996 Equity shares of ₹10/- each, fully paid up | |
| | 3,983 CCPS of ₹10/- each (₹5/- each fully paid up) | |
| 3 | Amount of Investment in Associates/ Joint Venture/ ₹ in crore | ₹27.40 |
| 4 | Extend of Holding % | 18.94% |
| 5 | Description of how there is significant influence | Shareholding |
| 6 | Reason why the associate/joint venture is not consolidated | N.A. |
| 7 | Networth attributable to Shareholding as per latest audited Balance Sheet | ₹5.82 |
| 8 | Profit/Loss for the year | |
| | i. Considered in Consolidation | (0.20) |
| | ii. Not Considered in Consolidation | (1.21) |

# ANNEXURE – 2

## AOC-2

**Particulars of contracts/arrangements entered into by the Company with related parties**

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

(Referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto)

1. Details of contracts or arrangements or transactions not at arm's length basis: Nil

   All contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 are at arm's length basis.

2. Details of material contracts or arrangement or transactions at arm's length basis: The details are set out in the standalone financial statements forming part of this Annual Report. The same may be referred for this purpose.

| Nature of the related party | Nature of relationship | Nature of contracts/ arrangements/ transactions | Duration of the contracts/ arrangements/ transactions | Salient terms of the contracts or arrangements or transactions including the value, if any | Amount |
|---|---|---|---|---|---|
| | | | | | |

Appropriate approvals have been taken for related party transactions. No amount was paid as advance.

# ANNEXURE – 3

## Form No. MR-3

### SECRETARIAL AUDIT REPORT

**For the Financial Year ended March 31, 2022**

[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]

To,

The Members,
**M/s. LAURUS LABS LIMITED**
Plot No.21, Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam, Andhra Pradesh – 531 021.

We have conducted the Secretarial Audit on the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. **Laurus Labs Limited** (hereinafter referred as the **"Company"**). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, the explanations and clarifications given to us and the representations made by the Management, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended on **March 31, 2022**, (i.e. from April 1, 2021 to March 31, 2022) 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:

The Company is carrying on the business of offering broad and integrated portfolio of Active Pharmaceutical Ingredients (API) including intermediates and Contract Research Services and Finished Dosage Forms (FDFs) to cater to the needs of the global pharmaceutical industry.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company to the applicable extent for the financial year ended on March 31, 2022 according to the provisions of:

A. The Companies Act, 2013 (the "Act") and the rules made thereunder;

B. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

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

D. 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;

E. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable to the Company:-

   (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 and amendments from time to time;

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and amendments from time to time;

   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the financial year);

   (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 2018 regarding the Companies Act and dealing with client;

   (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2018 (Not applicable to the Company during the financial year);

   (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (Not applicable to the Company during the financial year).

F. The Memorandum and Articles of Association.

G. The Company has identified and confirmed the following laws as specifically applicable to the Company.

   (a) Drugs (Control) Act, 1950

   (b) Drugs and Cosmetics Act, 1940 and the Drugs and Cosmetics Rules, 1945

   (c) Narcotic Drugs and Psychotropic Substances Act, 1985

   (d) The Food Safety and Standards Act, 2006

   (e) The Indian Boilers Act, 1923

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI);

(ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreements entered into with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that, having regard to the compliance system prevailing in the Company and on examination of relevant documents and records in pursuance thereof, on test check basis, the Company has complied with all the applicable laws.

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/ Listing Agreement.

Adequate notice is given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent in advance as required, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All the decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be. We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the financial year the Company had following events which had bearing on the Company's affairs in pursuance of the above referred Laws, Rules, Regulations, Standards etc.,

1. The Company acquired 26.62% of stake in M/s. Immunoadoptive Cell Therapy Private Limited on fully diluted basis, with around ₹46 crore investment, and has paid the subscription amount of ₹27.60 crore (Rupees Twenty-Seven crore and Sixty lakh only) as "Tranche 1 Subscription Amount" on December 9, 2021.
2. The Step-down subsidiary of the Company M/s. Laurus Ingredients Private Limited got voluntarily struck off from the Register of Companies, Hyderabad.
3. The Company has got the allotment of 15 acres of land by APIIC at Parawada, Visakhapatnam for its Bulk Drug Manufacturing plant.
4. The Company has got the allotment of 40.87 acres of land by APIIC at Atchutapuram, Visakhapatnam for its Bulk Drug Manufacturing plant.
5. The Company has infused further capital of USD 2 million into M/s. Laurus Generics Inc., USA
6. The Company has issued and allotted 6,03,575 and 1,53,375 equity shares of ₹2/- each to the eligible employees during December, 2021 under ESOP Schemes 2016 & 2018 respectively.

For **RPR & ASSOCIATES**
Company Secretaries

**Y. Ravi Prasada Reddy**
Proprietor
FCS No. 5783, C P No. 5360

Place: Hyderabad
UDIN: F005783D000229853

Date: April 28, 2022
Peer Review Certificate No. 1425/2021

This Report is to be read with our letter of even date which is annexed as Annexure and forms part of this report.

ANNEXURE

To,
The Members,
**M/s. LAURUS LABS LIMITED**
Plot No.21, Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam, Andhra Pradesh – 531 021.

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 process 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 process and practices followed by us provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the Management representations 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 procedure 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 **RPR & ASSOCIATES**
Company Secretaries

**Y. Ravi Prasada Reddy**
Proprietor
FCS No. 5783, C P No. 5360
UDIN: F005783D000229853

Place: Hyderabad
Date: April 28, 2022

# ANNEXURE – 4

## Annual Report on CSR Activities for FY2021-22

1 **Brief outline on CSR Policy of the Company:** The scope of the CSR Policy would include all/any activities specified in Schedule VII of the Companies Act, 2013.

2 **Composition of CSR Committee:**

| Sl. No | Name of Director | Designation/Nature of Directorship | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---|---|---|---|---|
| 1 | Mr. V. V. Ravi Kumar | Chairman of the Committee, Executive Director & Chief Financial Officer | 2 | 2 |
| 2 | Mrs. Aruna Bhinge | Member and Independent Director | 2 | 2 |
| 3 | Mr. Chandrakanth Chereddi | Member and Non-Executive Director | 2 | 2 |

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

4 **Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report):** Not Applicable for the year under review

5 **Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:** Not Applicable

| Sl. No. | Financial Year | Amount available for set-off from preceding financial years (in ₹) | Amount required to be set-off for the financial year, if any (in ₹) |
|---|---|---|---|
| | Nil | | |

6 **Average net profit of the Company as per Section 135(5):** 566.78 crore

7 a) **Two percent of average net profit of the Company as per Section 135(5):** ₹11.34 crore

b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: ₹1.29 crore

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

(d) Total CSR obligation for the financial year (7a+7b-7c): ₹11.34 crore

8 (a) **CSR amount spent or unspent for the financial year:**

Amount Unspent (in ₹)

| Total Amount Spent for the Financial Year. (in ₹) | Total Amount transferred to Unspent CSR Account as per Section 135(6). | | Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5). | | |
|---|---|---|---|---|---|
| | Amount | Date of transfer. | Name of the Fund | Amount | Date of transfer |
| ₹11.50 crore | | | Not Applicable | | |

(b) **Details of CSR amount spent against ongoing projects for the financial year:**

| 1 | 2 | 3 | 4 | 5 | | 6 | 7 | 8 | 9 | 10 | 11 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Name of the Project | Item from the list of activities in schedule VII to the Act | Local area (Yes/No) | Location of the project | | Project duration | Amount allocated for the project (in ₹) | Amount spent in the current financial Year (in ₹) | Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹) | Mode of implementation – Direct (Yes/No) | Mode of Implementation – Through Implementing Agency | |
| | | | | State | District | | | | | | Name | CSR Registration number |
| | | | | | | Nil | | | | | | |

(c) **Details of CSR amount spent against other than ongoing projects for the financial year:**

| 1 | 2 | 3 | 4 | 5 | | 6 | 7 | 8 | |
|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Name of the Project | Item from the list of activities in schedule VII to the Act | Local area (Yes/No) | Location of the project. | | Amount spent for the project (in ₹) | Mode of implementation – Direct (Yes/No) | Mode of Implementation – Through Implementing Agency | |
| | | | | State | District | | | Name | CSR Registration number |
| 1 | Abhaya | Promoting Education | Yes | Telangana | Hyderabad | 10,00,000 | Paid to Trust | Abhaya Foundation | CSR00001036 |
| 2 | Anakapalli-Pudimadaka & Yellanchi Patchs work | Rural development projects | Yes | Andhra Pradesh | Visakhapatnam | 5,00,000 | Direct | Not Applicable | |
| 3 | Connect to Andhra | Promoting Education | Yes | Andhra Pradesh | Visakhapatnam | 4,00,00,000 | Direct | Connect to Andhra | CSR00008366 |
| 4 | Contributing Refilling 350 Oxygen Cylinders to JNPC | Promoting health care | Yes | Andhra Pradesh | Visakhapatnam | 25,00,000 | Direct | Not Applicable | |
| 5 | District Medical Health Center Renovation | Promoting health care | Yes | Andhra Pradesh | Visakhapatnam | 4,50,000 | Direct | Not Applicable | |
| 6 | Donation of Ventilators for the hospital | Promoting health care | Yes | Telangana | Hyderabad | 66,42,746 | Direct | Not Applicable | |
| 7 | Financials support for Education | Promoting Education | Yes | Andhra Pradesh | Visakhapatnam | 6,40,000 | Direct | Not Applicable | |
| 8 | Garden Adopton at Tirumala | Ensuring environmental sustainability | Yes | Andhra Pradesh | Visakhapatnam | 43,25,000 | Direct | Not Applicable | |
| 9 | Isha | Ensuring environmental sustainability | Yes | Andhra Pradesh | Visakhapatnam | 10,00,000 | Paid to Trust | Isha Outreach | CSR00009670 |
| 10 | ISKCON Food Delvery Vehicle | Eradicating hunger | Yes | Telangana | Hyderabad | 7,68,000 | Direct | Not Applicable | |
| 11 | LV Prasad Eye Instiitute | Promoting health care | Yes | Andhra Pradesh | Visakhapatnam | 2,20,00,000 | Paid to Trust | Laurus Charitable Trust | CSR00002450 |
| 12 | Medicines&Pulse Oximeters | Promoting health care | Yes | Andhra Pradesh | Visakhapatnam | 9,49,295 | Direct | Not Applicable | |
| 13 | Mobile Science Lab | Promoting Education | Yes | Andhra Pradesh | Visakhapatnam | 15,68,727 | Direct | Not Applicable | |
| 14 | Nutrition Food kits for Pendurthi | Eradicating hunger | Yes | Andhra Pradesh | Visakhapatnam | 6,10,500 | Direct | Not Applicable | |
| 15 | Rotary Club_Sparsh Hospice Centre | Promoting health care | Yes | Telangana | Hyderabad | 50,00,000 | Paid to Trust | Rotary Club of Banjara Hills | CSR00002050 |
| 16 | School Teacher Salary | Promoting Education | Yes | Telangana | Hyderabad | 1,44,000 | Direct | Not Applicable | |
| 17 | School Teacher Salary | Promoting Education | Yes | Andhra Pradesh | Visakhapatnam | 2,16,000 | Direct | Not Applicable | |
| 18 | Sponcership of Oxygen Concentrators | Promoting health care | Yes | Andhra Pradesh | Visakhapatnam | 49,19,500 | Paid to Trust | Laurus Charitable Trust | CSR00002450 |
| 19 | Stipend for Gitam University Students | Promoting Education | Yes | Andhra Pradesh | Visakhapatnam | 1,56,80,640 | Direct | Not Applicable | |
| 20 | Stipend for Krishna University Students | Promoting Education | Yes | Andhra Pradesh | Visakhapatnam | 6,25,923 | Direct | Not Applicable | |
| 21 | Support for conducting awareness sessions on child sexual abuse | Promoting Education | Yes | Andhra Pradesh | Visakhapatnam | 1,66,687 | Direct | Not Applicable | |
| 22 | Support for Cultural Auditorium for Skill Development | Promoting Education | Yes | Andhra Pradesh | Visakhapatnam | 35,00,000 | Direct | Not Applicable | |
| 23 | Support for ZP High School Kothur | Promoting Education | Yes | Telangana | Hyderabad | 9,69,969 | Direct | Not Applicable | |
| 24 | Vehicle for Gram Panchayati Mosayyapeta | Rural development projects | Yes | Andhra Pradesh | Visakhapatnam | 7,99,000 | Direct | Not Applicable | |
| | **Total** | | | | | **11,49,75,987** | | | |

(d) Amount spent in Administrative Overheads: Nil

(e) Amount spent on Impact Assessment, if applicable: Nil

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹11,49,75,987/-

(g) Excess amount for set off, if any :

Amount (in ₹)

| Sl. No. | Particulars | |
|---|---|---|
| (i) | Two percent of average net profit of the Company as per Section 135(5) | 11.34 crore |
| (ii) | Total amount spent for the Financial Year | 11.50 crore |
| (iii) | Excess amount spent for the financial year [(ii)-(i)] | 0.16 crore |
| (iv) | Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any | 1.29 crore |
| (v) | Amount available for set off in succeeding financial years [(iii)-(iv)] | 1.45 crore |

**9 (a) Details of Unspent CSR amount for the preceding three financial years:**

| Sl. No. | Preceding Financial Year | Amount transferred to Unspent CSR Account under Section 135 (6) (in ₹) | Amount spent in the reporting Financial Year (in ₹) | Amount transferred to any fund specified under Schedule VII as per Section 135(6), if any. | | | Amount remaining to be spent in succeeding financial years. (in ₹) |
|---|---|---|---|---|---|---|---|
| | | | | Name of the Fund | Amount (in ₹) | Date of transfer | |
| Not Applicable | | | | | | | |

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

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|
| Sl. No. | Project ID | Name of the Project | Financial Year in which the project was commenced | Project duration | Total amount allocated for the project (in ₹) | Amount spent on the project in the reporting Financial Year (in ₹) | Cumulative amount spent at the end of reporting Financial Year. (in ₹) | Status of the project - Completed / Ongoing |
| Not Applicable | | | | | | | | |

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

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

Sd/-
**Dr. Satyanaryana Chava**
Executive Director & CEO

Sd/-
**Mr. V. V. Ravi Kumar**
Chairman of CSR Committee, ED & CFO

# ANNEXURE – 5.1

Employee Worked for full Financial year & Received Aggregate Remuneration of not Less Than One Hundred And Two Lakh Rupees / Top Ten Employees (Including Employer Contribution to PF)

| Sl. No. | Name of the Employee | Designation | Remuneration received (CTC in ₹) FY2021 | Nature Contract/ Permanent | Qualification & Experience in years | Date of commencement of employment | Age of employee | Last Employment held before joining the Company | No. of Equity shares held | Whether relative of Director |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Dr. Satyanarayana Chava* | Executive Director & Chief Executive Officer | 27,52,41,337 | Permanent | M.sc., Ph.D; 36 | 21-Jan-06 | 61 | Matrix Laboratories Ltd | 124126740 | Yes |
| 2 | Mr. Venkata Ravi Kumar Vantaram | Executive Director & Chief Financial Officer | 6,24,21,403 | Permanent | M.Com, FCMA; 33 | 30-Nov-06 | 57 | Matrix Laboratories Ltd | 7705000 | No |
| 3 | Dr. Chunduru Venkata Lakshmana Rao | Executive Director | 4,37,08,417 | Permanent | M.sc., Ph.D; 34 | 07-Feb-07 | 60 | Mayne Pharma, Australia | 13450145 | No |
| 4 | Mr. Srinivasa Rao Suryadevara | Executive Vice president | 2,47,14,266 | Permanent | M.Sc; 28 | 02-Apr-08 | 54 | Matrix Laboratories Ltd | 825108 | No |
| 5 | Mr. Dammalapati Venkata Lakshmi Narasimha Rao | Sr. Vice President | 1,64,63,303 | Permanent | M.Sc; PGDEM; PGDCA;18 | 04-Sep-07 | 53 | Matrix Laboratories Ltd | 675000 | No |
| 6 | Mr. Chagarlamudi Sita Ramaiah | Sr. Vice President | 1,48,58,936 | Permanent | CA; 22 | 20-Aug-07 | 49 | Matrix Laboratories Ltd | 540000 | No |
| 7 | Mr. Rajaram | Sr. Vice President | 1,44,05,845 | Permanent | MICA,MBA : 24 | 04-Mar-20 | 48 | Mankind Pharma | 6703 | No |
| 8 | Mr. Suryadevara Srinivasa Rao | Sr. Vice President | 1,41,92,429 | Permanent | M.Sc; 29 | 27-Jul-06 | 55 | Auctus Pharma | 276145 | No |
| 9 | Mr. Krishna Chaitanya Chava | Executive Vice President | 1,38,90,718 | Permanent | M.S; M.B.A, 8 | 17-Apr-17 | 32 | Dr.Reddy's Laboratories Ltd | 20699 | Yes |
| 10 | Mr. Srikant Vasudeorao Pimple | Vice President | 1,34,50,295 | Permanent | MS; 33 | 04-Jan-18 | 58 | Uni Chem Labs | 19715 | No |
| 11 | Mr. Sumeet Sobti | Vice President | 1,32,93,301 | Permanent | B.PHARMACY : 27 | 14-Sep-15 | 50 | Ranbaxy Laboratories Ltd | 59470 | No |
| 12 | Mr. Babchand Nurubasha | Vice President | 1,32,65,374 | Permanent | M.P.I.B, 21 | 01-Nov-07 | 46 | Matrix Laboratories Ltd | 317145 | No |
| 13 | Mr. Giridhar Mukkamala | Vice President | 1,24,61,528 | Permanent | B.SC, PGDCA, PGDCAQM, 25 | 19-Nov-07 | 54 | Matrix Laboratories Ltd | 216080 | No |
| 14 | Mr. Narasimha Rao Chava | Vice President | 1,23,45,377 | Permanent | M.A, 29 | 14-Mar-07 | 54 | Dolphin Chemicals PVt Ltd | 119675 | Yes |
| 15 | Mr. Girish Kottapalli | Vice President | 1,16,55,957 | Permanent | B.E, 21 | 10-Dec-10 | 47 | Ecologic Technologies Pvt Ltd | 153370 | No |
| 16 | Mr. Radha Krishna S | Vice President | 1,14,20,459 | Permanent | M.SC.,PH.D : 28 | 05-Nov-11 | 52 | Johnson & Johnson | 169970 | No |

Note:* Dr. Satyanarayana Chava is holding shares on behalf of M/s. NSN Holdings as an Authorised Representative

Employee Worked Part of the Financial year & Received Aggregate Remuneration of not Less Than Eight Lakh Fifty Thousand Rupees Per Month (Including Employer Contribution to PF)

| Sl. No. | Name of the Employee | Designation | Remuneration received (CTC in ₹) FY2019 | Nature Contract/ Permanent | Qualification & Experience in years | Date of commencement of employment | Date of exit of employment | Age of employee | Last Employment held before joining the Company | No. of Equity shares held | Whether relative of Director |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Dr. Prafulla Kumar Nandi | Sr. Vice President | 2,08,19,545 | Permanent | Ph.D; 27 | 11-Jul-16 | 04-Mar-22 | 54 | Apotex India | 60000 | No |
| 2 | Mr. Rajeev Chandra Paliwal | Vice President | 1,27,40,394 | Permanent | M. PHARMACY : 30 | 24-Feb-18 | 04-Mar-22 | 56 | Rubicon Research Pvt. Ltd. | 5000 | No |
| 3 | Dr. Ravikrishna Chebolu | Vice President | 1,03,77,913 | Permanent | M.SC., PH.D, 21 | 11-Dec-17 | 31-Dec-21 | 50 | Aizant Drug Research Solutions Pvt. Ltd. | 0 | No |

# ANNEXURE – 5.2

## Information pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

**1 The ratio of remuneration of each director to the median remuneration of the employees of the Company for the financial year:**

| Sl. No. | Name & Designation | Ratio |
|---|---|---|
| 1 | Dr. Satyanarayana Chava, Executive Director & CEO | 649 |
| 2 | Mr. V. V. Ravi Kumar, Executive Director & CFO | 147 |
| 3 | Dr. Lakshmana Rao C V, Executive Director | 103 |
| 4 | Mr. Chandrakanth Chereddi, Non-Executive Director | 11 |
| 5 | Dr. Ravindranath Kancherla, Independent Director | 6 |
| 6 | Mrs. Aruna Bhinge, Independent Director | 6 |
| 7 | Dr. Rajesh Koshy Chandy, Independent Director | 9 |
| 8 | Dr. M. Venu Gopala Rao, Non-Executive Chairman and Independent Director | 6 |

**2 The percentage increase in remuneration of each Director, Chief Financial Officer; Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:**

| | Name & Designation | Increase in percentage |
|---|---|---|
| 1 | Dr. Satyanarayana Chava, Whole-time Director & CEO | 54% |
| 2 | Mr. V. V. Ravi Kumar, Whole-time Director & CFO | 42% |
| 3 | Dr. Lakshmana Rao C V, Whole-time Director | 72% |
| 4 | Mr. Chandrakanth Chereddi, Non-Executive Director | 2% |
| 5 | Mrs. Aruna Bhinge, Independent Director | -4% |
| 6 | Dr. Rajesh Koshy Chandy, Independent Director | -1% |
| 7 | Dr. Ravindranath Kancherla, Independent Director | -6% |
| 8 | Dr. M. Venu Gopala Rao, Non-Executive Chairman and Independent Director | -6% |
| 9 | Mr. G. Venkateswar Reddy, AVP (Legal & Secretarial) and Company Secretary | 8% |

| | | |
|---|---|---|
| **3** | The percentage increase in the median remuneration of employees in the financial year was | 2% |
| **4** | The number of permanent employees on the rolls of the Company as on March 31, 2021 was | 5,304 |
| **5** | Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year. | 11% |

It is hereby affirmed that the above remuneration is as per the Remuneration policy of the Company

# ANNEXURE – 6

## Details of Employees Stock Option Scheme

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014
The Employees Stock Option Scheme, 2011 was completed and closed.

**The details of Stock Options as on March 31, 2022 under the Employees Stock Option Scheme-2016 of the Company are as under:**

| Sl. No. | Particulars | Grant-1 | Grant-2 | Total |
|---|---|---|---|---|
| a | Options granted | | | |
| | Options granted initially | 1,78,438 | 5,37,150 | 7,15,588 |
| | Additional options granted pursuant to Bonus Issue | 5,15,814 | - | 5,15,814 |
| | Total Options granted | 6,94,252 | 5,37,150 | 12,31,402 |
| | Total Options in force - After Split | | 25,14,750 | 25,14,750 |
| b | Options vested | 6,06,500 | 12,29,385 | 18,35,540 |
| c | Options exercised | 6,06,500 | 12,29,040 | |
| d | The total no. of shares arising as a result of exercise of options | 6,06,500 | 12,10,965 | 18,16,575 |
| e | Options lapsed - After Split | 87,752 | 1,45,325 | 2,33,077 |
| f | The Exercise Price (Rs.) | 137.50 | 292.00 | |
| g | The Exercise Price (Rs.) - After Split | | 58.40 | |
| h | Variations of terms of Options | Nil | Nil | Nil |
| i | Money realized by exercise of options | 8,33,93,750.00 | 7,07,20,356.00 | 15,41,14,106.00 |
| j | Total number of options in force | 0 | 11,58,460 | 11,58,460 |

j. Employee-wise details of options granted during the year 2021-22 to –

(i) Key Managerial Personnel: Nil

(ii) Any other employee who receives a grant of options in any one year of options amounting to five percent or more of options granted during that year: Nil

(iii) Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant: Nil

The details of Stock Options as on March 31, 2022 under the Employees Stock Option Scheme-2018 of the Company are as under:

| Sl. No. | Particulars | Grant-1 | Grant-2 | Total |
|---|---|---|---|---|
| a | Options granted | | | |
| | Options granted initially | 1,49,750 | 7,07,000 | 8,56,750 |
| | Additional options granted pursuant to Split | 5,40,000 | -- | 5,40,000 |
| | Total Options in force - After Split | 6,89,750 | 7,07,000 | 8,56,750 |
| b | Options vested | 1,53,375 | -- | 1,53,375 |
| c | Options exercised | 1,53,375 | -- | 1,53,375 |
| d | The total no. of shares arising as a result of exercise of options | 1,53,375 | -- | 1,53,375 |
| e | Options lapsed | 74,440 | 33,250 | 59,190 |
| f | The Exercise Price (Rs.) | 255.50 | -- | |
| | The Exercise Price (Rs.) - After Split | 51.10 | 356.00 | |
| g | Variations of terms of Options | Nil | Nil | Nil |
| h | Money realized by exercise of options | 78,37,462.50 | -- | 78,37,462.50 |
| i | Total number of options in force | 4,61,935 | 6,73,750 | 11,35,685 |

j. Employee-wise details of options granted during the year 2021-22 to –

(i) Key Managerial Personnel: Mr. G. Venkateswar Reddy – 5,000 Options

(ii) Any other employee who receives a grant of options in any one year of options amounting to five percent or more of options granted during that year: Nil

(iii) Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant: Nil

# ANNEXURE – 7

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

### (A) Conservation of energy:

| | | |
|---|---|---|
| (i) | The steps taken or impact on conservation of energy | • Various initiatives such as replacement of energy inefficient equipment and heat recovery in AHUs which were undertaken in the previous year have been continued for this year also. |
| (ii) | The steps taken by the Company for utilising alternate sources of energy | • Installed solar roof top panels to the tune of 0.6 MW in Unit-1 & Unit-3. |
| (iii) | The capital investment on energy conservation equipment | • No significant capital investments on energy conservation equipment during the year. |

### (B) Technology Absorption:

| | | |
|---|---|---|
| (i) | The efforts made towards technology absorption | No major technology absorption from external sources during the year however there have been various internal technologies developed and used. |
| (ii) | The benefits derived like product improvement, cost reduction, product development or import substitution | Various innovations had led to increase in productivity and reduction of quality failures. |
| (iii) | In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) | |
| | (a) The details of technology imported | Rotary Pressure Filter (RPF) was imported from Germany. |
| | (b) The year of import | 2020 |
| | (c) Whether the technology has been absorbed | Yes |
| | (d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof; | Not Applicable |
| (iv) | The expenditure incurred on Research and Development | ₹184 crore (Opex), ₹18 crore (Capex) and Total ₹202 crore |

### (C) Foreign Exchange Earnings and Outgo:

Total Forex Inflow ₹3,437 crore

Total Forex Outflow ₹1,317 crore

# REPORT ON CORPORATE GOVERNANCE

## 1. Company's Philosophy:

Laurus Labs works towards improving health outcomes for patients around the world through the manufacture of high-quality medicines and active pharmaceutical ingredients with one quality products for all Markets. Our Corporate Governance policies and procedures set the standard for how we engage with our stakeholders. We prioritise the long-term over the short-term to drive sustainable growth and create lasting value. With empowerment and accountability as its two pillars, our Corporate Governance code guides all our actions. We aim for total transparency and meet our societal commitments by being a responsible corporate citizen.

## 2. Board and its Composition:

Your Board comprises optimal combination of Independent as well as Non-Executive Directors having in-depth knowledge of the business of the industry. The Chairman, who is a Non-Executive and Independent Director and the Chief Executive Officer (CEO) of the Company have their own roles for better Corporate Governance Standards. The size and composition of the Board conforms to the requirements of the Corporate Governance code under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the brief profiles' of the Directors are placed in the Company's website http://lauruslabs.com/corporate-governance.

The composition of directors, their attendance and other details are as follows:

| Sl. No. | Name of the Director & DIN | Category of Directorship | Attendance at Board Meetings | | No. of Directorship in listed entities including this listed entity (Refer Regulation 25(1) of Listing | Number of memberships/ chairmanship in Audit/ Stakeholder Committee(s) including this listed entity (Refer Regulation 26(1) of Listing Regulations) | | Whether present at the previous AGM |
|---|---|---|---|---|---|---|---|---|
| | | | Held | Attended | | Chairman | Member | |
| 1 | Dr. Malempati Venugopala Rao DIN: 00012704 | Chairman, Non-Executive and Independent Director | 6 | 6 | 1 | 1 | 0 | Yes |
| 2 | Dr. Satyanarayana Chava DIN: 00211921 | Promoter, Executive Director and Chief Executive Officer | 6 | 6 | 1 | 0 | 0 | Yes |
| 3 | Mr. V. V. Ravi Kumar DIN: 01424180 | Promoter, Executive Director and Chief Financial Officer | 6 | 6 | 1 | 0 | 1 | Yes |
| 4 | Dr. Lakshmana Rao C V DIN: 06885453 | Promoter and Executive Director | 6 | 6 | 1 | 0 | 0 | Yes |
| 5 | Mr. Chandrakanth Chereddi DIN: 06838798 | Non-Executive Director | 6 | 6 | 1 | 1 | 1 | Yes |
| 6 | Mrs. Aruna Bhinge DIN: 07474950 | Non-Executive and Independent Director | 6 | 6 | 3 | 0 | 4 | Yes |
| 7 | Dr. Rajesh Koshy Chandy DIN: 07575240 | Non-Executive and Independent Director | 6 | 6 | 1 | 0 | 1 | Yes |
| 8 | Dr. Ravindranath Kancherla DIN: 00117940 | Non-Executive and Independent Director | 6 | 6 | 1 | 0 | 1 | Yes |

The Board met six times in Financial Year 2021-22. The following are the dates in which the Board Meetings were held:

April 29, 2021; July 29, 2021; September 16, 2021; October 28, 2021, January 27, 2022 and March 11, 2022

### The names of the listed entities where the person is a director and the category of directorship:

Other than on the Board of the Company, which is a listed entity, the following Directors are holding directorship in other listed entities as shown below:

Mrs. Aruna Bhinge –

a) Punjab Chemicals and Crop Protection Ltd. as Independent Director;

b) Mahindra EPC Irrigation Limited as Independent Director

Other than the above, no other directors are directors on any other listed entity.

### Disclosure of Relationships between Directors *Inter-Se*:

Mr. Chandrakanth Chereddi is son-in-law of Dr. Satyanarayana Chava. Other than these two directors, none of the directors are related to any other director.

### Number of Shares held by Non-Executive Directors:

Except Mr. Chandrakanth Chereddi, Dr. MVG Rao and Mrs. Aruna Bhinge, who are holding 42,000, 38,500 and 17,500 equity shares respectively as on March 31, 2022, none of the Non-Executive Directors are holding any shares or convertible Instruments in the Company.

### Details about Familiarisation Programme:

During the year, no new Director was inducted on the board.

The senior management personnel of the Company regularly make presentations to the Board members on the operations of the Company, its plans, strategy, risks involved, new initiatives etc. and seek their views and suggestions on the same. The

Board members have been provided with various policies of the Company including Code of Conduct for Directors and Senior Management Personnel etc.

The details of these familiarisation programmes have been placed on the Company's website at http://laurslabs.com/Investors/PDF/Policies/Familirisation_Programmes_for_Independent_Directors.pdf

### List of core skills/ expertise/ competencies identified by the board as required in the context of its business(es) and sector(s) for an efficient functioning and those actually available with the Board:

a) Hands on Pharma industry experience in sourcing, manufacturing, marketing and business development

b) Accounting, Financial, Budget, Costing expertise

c) Legal and HR expertise

d) Experience in Quality

e) Expertise in Corporate Governance

f) Formulation of effective strategy

### The Board members possess the following core skills/ expertise/ competencies:

Dr.M. V. G. Rao – a,b,e and f of above
Dr. Satyanarayana Chava – a, d, e and f of above
Mr. V. V. Ravi Kumar – b, c, e and f of above
Mr. Chandrakanth Chereddi – a, e and f of above
Dr. Lakshmana Rao C V – d, e and f of above
Dr. Rajesh Koshy Chandy – a and e of above
Mrs. Aruna Bhinge – a, b, e and f of above
Dr. Ravindranath Kancherla – a, e and f of above

### Confirmation about Independent Directors:

This is to confirm that in the opinion of the board, the independent directors fulfil the conditions specified in SEBI (LODR) Regulations, 2015 and are independent of the management.

As required by SEBI (LODR) Regulations, 2015, a certificate from Company Secretary in Practice that 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, is attached to this Report as **Annexure-A**.

Further, Annual Secretarial Compliance Report issued by the Company Secretary in Practice pursuant to Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to this Report as **Annexure-B**.

### Details of Directors proposed for re-appointment and regularisation at the Annual General Meeting:

Mr. Chandrakanth Chereddi and Mr. V. V. Ravi Kumar shall retire by rotation and being eligible, seek re-appointment. The details of these directors are as follows:

### Mr. Chandrakanth Chereddi

Mr. Chereddi was an Executive Director of the Company during August 2016 to March 2020 and was also associated with Laurus Labs since February 2012 in various capacities. He has over ten years of experience in project management. Before Laurus Labs, he worked with McKinsey & Company as a healthcare practice member in India. He holds a bachelor's degree in Engineering (Computer Science and Engineering) from Osmania University and a master's degree in Science in Electrical and Computer Engineering from University of Illinois. He completed the post-graduate programme in Management from Indian School of Business, Hyderabad. He became Non-Executive Director with effect from April 1, 2020.

### Directorship Details:

| Sl. No. | Name of the Companies/ bodies corporate/ firms/ association of individuals | Nature of interest or concern/ Change in interest or concern | Shareholding (No. of Shares/ Percentage) | Date on which interest or concern arose/ changed |
|---|---|---|---|---|
| 1 | Laurus Infosystems (India) Private Limited | Director | Nil | September 1, 2015 |
| | CIN: U72300TG2014PTC092281 | | | |
| 2 | Laurus Labs Limited | Director and Member | 42000 | August 9, 2016 |
| | CIN: L24239AP2005PLC047518 | | 0.01 | and November 18, 2020 |
| 3 | Atchutapuram Effluent Treatment Limited | Director | Nil | December 22, 2017 |
| | CIN: U41000AP2016PLC103829 | | | |
| 4 | Laurus Generics Inc., (USA Company) | Director | Nil | August 7, 2017 |
| 5 | Laurus Generics GmbH, (German Company) | Managing Director | Nil | April 6, 2018 |
| 6 | Harmony Ventures | Partner | 10% | September 11, 2015 |
| 7 | Newage Advisors | Managing Partner | 90% | July 21, 2021 |
| 8 | Practwise Consulting Private Limited | Member | 49% | November 11, 2021 |
| | CIN: U72900TG2021PTC156870 | | | |

### Committee Membership Details:

| Sl. No. | Name of the Company | Name of the Committee | Whether Chairman/ Member |
|---|---|---|---|
| 1 | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Stakeholders' Relationship Committee | Chairman |
| 2 | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Risk Management Committee | Member |
| 3 | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Audit Committee | Member |
| 4 | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Nomination Remuneration Committee | Member |
| 5 | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Corporate Social Responsibility Committee | Member |

### Mr. V. V. Ravi Kumar:

Mr. Kumar is an Executive Director at Laurus Labs since 2006. He holds bachelor's and master's degrees in Commerce from Andhra University and is a fellow member of the Institute of Cost Accountants of India (formerly ICWAI). With over three decades of experience in finance, information technology, HR and supply chain, he contributes significantly to formulating and executing core strategies for the Company. His knowledge in dealing with mergers, acquisitions and joint venture management in the global context helped Laurus Labs emerge as a global pharmaceutical player.

### Directorship Details:

| Sl. No. | Name of the Companies/ Bodies Corporate/ Firms/ Association of Individuals | Nature of Interest or Concern/ change in Interest or Concern | Share holding | Date on which interest or Concern arose/ changed |
|---|---|---|---|---|
| 1. | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Whole-time Director and Member | 77,05,000 Shares<br>-1.43% | November 30, 2006 |
| 2. | Laurus Bio Private Limited<br>CIN: U02423KA2005PTC036770 | Director | Nil | January 20, 2021 |
| 3. | Laurus Holdings Limited (UK Company) | Director | Nil | July 10, 2017 |
| 4. | Leven Holdings | Managing Partner | 80% | July 2, 2021 |

### Committee Membership Details:

| Sl. No. | Name of the Company | Name of the Committee | Whether Chairman/ Member |
|---|---|---|---|
| 1 | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Stakeholders Relationship Committee | Member |
| 2 | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Corporate Social Responsibility | Chairman |
| 3 | Laurus Labs Limited | Risk Management Committee | Member |

Dr. M. Venu Gopala Rao and Dr. Ravindranath Kancherla, Independent Directors whose term shall be completed on May 17, 2022 and being eligible, seek re-appointment. The details of these directors are as follows:

### Dr. M. Venu Gopala Rao:

Dr. M. Venu Gopala Rao is a B.Sc. (Hons) in Chemical Engineering from Andhra University, with a post-graduation in pulp and paper technology from the Forest Research Institute, Dehradun. He received advanced training in pulp and paper technology in the US and, subsequently, one year of intensive training in rayon grade pulping at M/s. Snia Viscosa S.P.A. Italy, a pioneer in man-made fibre industry. Dr. Rao was the former Chairman of Indian Paper Makers Association and is a Director on the Boards of various companies of Nava Bharat Group.

### Directorship Details:

| Sl. No. | Name of the Companies/ Bodies Corporate/ Firms/ Association of Individuals | Nature of Interest or Concern/ change in Interest or Concern | Share holding | Date on which interest or Concern arose/ changed |
|---|---|---|---|---|
| 1. | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Director and Member | 38500<br>0.01% | May 18, 2017 and<br>February 4, 2022 |
| 2. | V.V.V. Infrastructure Private Limited<br>CIN: U70102AP2006PTC049314 | Director | - | February 28, 2006 |
| 3. | Nava Bharat Projects Limited<br>CIN: U70102TG2007PLC052362 | Director | - | May 26, 2014 |

### Committee Membership Details:

| Sl. No. | Name of the Company | Name of the Committee | Whether Chairman/ Member |
|---|---|---|---|
| 1 | Laurus Labs Limited<br>(CIN: L24239AP2005PLC047518) | Audit Committee | Chairman |
| 2 | Nava Bharat Projects Limited<br>CIN: U70102TG2007PLC052362 | Nomination & Remuneration Committee | Chairman |
| 3 | Nava Bharat Projects Limited<br>CIN: U70102TG2007PLC052362 | Audit Committee | Chairman |
| 4 | Nava Bharat Projects Limited<br>CIN: U70102TG2007PLC052362 | CSR Committee | Member |

### Dr. Ravindranath Kancherla:

Dr. Ravindranath Kancherla is a Non-Executive Independent Director of the Company. He is a world-renowned expert in surgical gastroenterology and laparoscopic surgery and is heading the Global Hospitals Group. He developed India's most comprehensive hospital dedicated to gastroenterology and a centre to efficiently conduct the complicated procedure of organ transplantation. With extensive experience in surgeries, Dr. Ravindranath Kancherla has become an authority in liver, pancreatic and bile duct resections, revision gastric surgeries and reconstructive coloproctology. He has trained over 700 surgeons in laparoscopic procedures.

### Directorship Details:

| Sl. No. | Name of the Companies/Bodies Corporate/ Firms/ Association of Individuals | Nature of Interest or Concern/ change in Interest or Concern | Share holding | Date on which interest or Concern arose/ changed |
|---|---|---|---|---|
| 1. | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Director | | May 18, 2017 |
| 2. | Penna Cement Industries Limited<br>CIN: U26942TG1991PLC013359 | Director | | June 14, 2018 |
| 3. | Global Hospital (North) Limited<br>CIN: U55101DL2005PLC135739 | Director | 15000 Equity Shares (6.82%) | May 3, 2005 |
| 4. | Hygieia Global Health Services Private Limited<br>CIN: U74900TG2014PTC096462 | Director | 9000 Equity Shares (90%) | November 19, 2014 |
| 5. | Global University Foundation<br>CIN: U80900TG2019NPL135587 | Director | | September 19, 2019 |
| 6. | Centre For Digestive and Kidney Diseases (India) Private Limited<br>CIN: U85110MH2004PTC146014 | Managing Director | More than 2%* | January 2, 2005 |
| 7. | Global Hospitals Private Limited<br>CIN: U85110TG1996PTC025213 | Managing Director | 30966400 Equity Shares (85.40%) | January 30, 2004 |
| 8. | Ravindranath Medical Foundation<br>CIN: U85110TG1997NPL027669 | Director | | August 24, 2019 |
| 9. | Global Clinical Research Services Private Limited<br>CIN: U85110TG2006PTC050946 | Director | More than 2%* | August 23, 2006 |
| 10. | Ravindranath Ge Medical Associates Private Limited<br>CIN: U85110TN1998PTC093106 | Director | 9179493 Equity Shares (14.19%) & 2872091 CCP Shares | January 1, 1999 |
| 11. | Global Sunrise Medi Services Private Limited<br>CIN: U85195WB2007PTC114933 | Director | | April 02, 2007 |
| 12. | Global Hospitals Hyderabad Private Limited<br>CIN: U85300TG2021PTC152568 | Director | | June 25, 2021 |
| 13. | Cognitivebotics Technologies Private Limited<br>CIN: U72200TG2018PTC126851 | Additional Director | | September 5, 2021 |
| 14. | Global Medlabs Private Limited<br>CIN: U85300TG2021PTC157148 | Director | | November 18, 2021 |
| 15. | Immunoadoptive Cell Therapy Private Limited<br>CIN: U74999MH2018PTC315497 | Nominee Director | Nil | December 09, 2021 |

*(Indirectly held by way of investment in Ravindranath GE Medical Associates Pvt. Ltd. – Holding Company of Global Clinical Research Services Pvt. Ltd. and Centre for Digestive and Kidney Diseases (India) Pvt. Ltd.).

**Committee Membership Details:**

| Sl. No. | Name of the Company | Name of the Committee | Whether Chairman/Member |
|---|---|---|---|
| 1 | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Nomination and Remuneration Committee | Chairman |
| 2 | Ravindranath Ge Medical Associates Private Limited<br>CIN: U85110TN1998PTC093106 | Nomination & Remuneration Committee | Chairman |
| 3 | Ravindranath Ge Medical Associates Private Limited<br>CIN: U85110TN1998PTC093106 | Audit & Risk Management Committee | Member |
| 4 | Centre For Digestive and Kidney Diseases (India) Private Limited<br>CIN: U85110MH2004PTC146014 | Audit Committee | Chairman |
| 5 | Laurus Labs Limited<br>CIN: L24239AP2005PLC047518 | Stakeholders Relationship Committee | Member |

## 3. Committees of The Board:

### (I) Audit Committee

The Audit Committee of the Board is headed under the stewardship of Dr. Malempati Venugopala Rao. The other members of the Committee are Mrs. Aruna Bhinge, Dr. Rajesh Koshy Chandy and Mr. Chandrakanth Chereddi. The Composition of the Audit Committee meets the requirement of Section 177 of the Companies Act, 2013 read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Audit Committee reviews reports of the Internal Auditors, meets Statutory Auditors as and when required and discusses their findings, suggestions, observations and other related matters. It also reviews major accounting policies followed by the Company. The terms of reference of this Committee are as per SEBI (LODR) Regulations, 2015, as amended.

During the year, the Audit Committee met 4 (Four) times on April 29, 2021; July 29, 2021; October 28, 2021 and January 27, 2022 and the attendance of members is as follows:

| Sl. No. | Name of the Audit Committee Member | No. of Meetings held | No. of Meetings attended |
|---|---|---|---|
| 1 | Dr. Malempati Venugopala Rao<br>Chairman & Independent Director<br>DIN: 00012704 | 4 | 4 |
| 2 | Mrs. Aruna Bhinge<br>Independent Director<br>DIN: 07474950 | 4 | 4 |
| 3 | Dr. Rajesh Koshy Chandy<br>Independent Director<br>DIN: 07575240 | 4 | 4 |
| 4 | Mr. Chandrakanth Chereddi<br>Non-Executive Director<br>DIN: 06838798 | 4 | 4 |

### (II) Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board is headed by Dr. Ravindranath Kancherla. The other members of the Committee are Dr. Rajesh Koshy Chandy and Mr. Chandrakanth Chereddi. The Nomination & Remuneration Committee has reviewed and evaluated the performance evaluation criteria for Board and its Committees and Directors including Independent Directors as per SEBI Circular dated January 5, 2017.

During the year, apart from one circular resolution passed on December 20, 2021; the Nomination and Remuneration Committee met 2 (Two) times on April 29, 2021; and March 10, 2022 and the attendance of members is as follows:

| Sl. No. | Name of the Committee Member | No. of Meetings held | No. of Meetings attended |
|---|---|---|---|
| 1 | Dr. Ravindranath Kancherla.<br>Independent Director<br>DIN: 00117940 | 2 | 2 |
| 2 | Dr. Rajesh Koshy Chandy<br>Independent Director<br>DIN: 07575240 | 2 | 2 |
| 3 | Mr. Chandrakanth Chereddi<br>Non-Executive Director<br>DIN: 06838798 | 2 | 2 |

**Stakeholders' Relationship Committee:**

The Stakeholders Relationship Committee is headed under the stewardship of Mr. Chandrakanth Chereddi. The other members of the committee are Mr. V. V. Ravi Kumar and Dr. Ravindranath Kancherla.

Mr. G. Venkateswar Reddy, Company Secretary is the Compliance Officer of the Company.

The Company has received 45 complaints during the year 2021-22; resolved 45 complaints and no complaints were pending as on March 31, 2022.

During the year, the Stakeholders' Relationship Committee met once on April 29, 2021 and all the members of the Committee have attended the meeting.

**CSR Committee:**

The CSR Committee is headed by Mr. V. V. Ravi Kumar, the other members being Mrs. Aruna Bhinge and Mr. Chandrakanth Chereddi.

During the year, the CSR Committee has met twice on October 27, 2021 and March 11, 2022 and attendance of members is as follows:

| Sl. No. | Name of the Committee Member | No. of Meetings held | No. of Meetings attended |
|---|---|---|---|
| 1 | Mr. V. V. Ravi Kumar<br>Executive Director & CFO<br>DIN: 01424180 | 2 | 2 |
| 2 | Mrs. Aruna Bhinge<br>Independent Director<br>DIN: 07474950 | 2 | 2 |
| 3 | Mr. Chandrakanth Chereddi<br>Non-Executive Director<br>DIN: 06838798 | 2 | 2 |

**Risk Management Committee:**

The Risk Management is headed by Dr. Satyanarayana Chava, CEO of the Company and the following are the other members:

Mr. V. V. Ravi Kumar

Mr. Chandrakanth Chereddi

Dr. Rajesh Koshy Chandy

Dr. Lakshmana Rao C V

The Risk Management Committee shall review the Risk Management Plan of the Company at periodic intervals and takes steps to identify and mitigate the risks involved.

During the year, The Risk Management Committee met twice on October 27, 2021 and March 11, 2022 and the attendance of the members is as follows;

| Sl No. | Name of the Committee Member | No. of Meetings held | No. of Meetings attended |
|---|---|---|---|
| 1 | Dr. Satyanarayana Chava<br>Executive Director & CEO<br>DIN: 00211921 | 2 | 2 |
| 2 | Mr. V. V. Ravi Kumar<br>Executive Director & CFO<br>DIN: 01424180 | 2 | 2 |
| 3 | Dr. Lakshmana Rao C V<br>Executive Director<br>DIN: 06885453 | 2 | 2 |
| 4 | Dr. Rajesh Koshy Chandy<br>Independent Director<br>DIN: 07575240 | 2 | 2 |
| 5 | Mr. Chandrakanth Chereddi<br>Non-Executive Director<br>DIN: 06838798 | 2 | 2 |

**Remuneration to Directors:**

Details of remuneration paid to Directors during the financial year 2021-22 are as follows:

a) **Executive Directors:**

(in ₹)

| Sl. No. | Name of the Director | Salary | Bonus * | Perk | Others | Total |
|---|---|---|---|---|---|---|
| 1 | Dr. Satyanarayana Chava | 8,98,32,480 | 17,15,45,990 | 48,15,347 | 90,47,520 | 27,52,41,337 |
| 2 | Mr. V. V. Ravi Kumar | 2,97,21,480 | 2,85,90,998 | 6,18,444 | 34,90,481 | 6,24,21,403 |
| 3 | Dr. Lakshmana Rao C V | 1,97,27,976 | 1,90,60,666 | 27,67,755 | 21,52,020 | 4,37,08,417 |
| | **Total** | **13,92,81,936** | **21,91,97,654** | **82,01,546** | **1,46,90,021** | **38,13,71,157** |

* This Bonus is relating to the performance of the Company for the FY2021 and paid in FY2022. The Bonus entitlement for the above directors for FY2022 is ₹7.65 crore to Dr. Satyanarayana Chava, ₹1.28 crore to Mr. V. V. Ravi Kumar and ₹0.85 crore to Dr. Lakshmana Rao C V, aggregating to ₹9.78 Crore, based on the performance of the Company for FY2022 which shall be paid in FY2023.

b) **Non-Executive Directors:**

Non-Executive Independent Directors are paid sitting fee of ₹50,000 for attending each meeting of the Board of Directors and each meeting of the Committee of Directors. There were no pecuniary transactions entered by the Non-Executive Directors with the Company during the period under review except for Remuneration and sitting fees. Further, Non-Executive Directors are paid Remuneration as well, the details of which are provided below:

(in ₹)

| S.No. | Name of the Director | Remuneration/ ₹ | Sitting Fee/ ₹ |
|---|---|---|---|
| 1. | Dr. Malempati Venugopala Rao | 20,00,000 | 5,00,000 |
| 2. | Mrs. Aruna Bhinge | 20,00,000 | 6,00,000 |
| 3. | Dr. Rajesh Koshy Chandy | 29,86,488 | 7,00,000 |
| 4. | Dr. Ravindranath Kancherla | 20,00,000 | 4,50,000 |
| 5. | Mr. Chandrakanth Chereddi | 40,00,000 | 8,50,000 |

Service Contracts, Severance Fee: Nil
Notice Period for Executive Directors: 3 months
Stock Options details, if any: Nil

**Nomination/Remuneration Policy:**

The compensation of the Executive Directors comprises of fixed component, perquisites and performance based incentive and is determined based on the remuneration prevailing in the industry and the performance of the Company. The remuneration package of the Executive Directors is periodically reviewed and suitable revision is recommended to the Board by the Nomination and Remuneration Committee. The Board shall recommend the same for the approval of the Shareholders.

The nomination and remuneration policy as adopted by the Board is placed on the Company's website at:

http://www.lauruslabs.com/sites/all/themes/lauruslab//Investors/PDF/Policies/Remuneration_Policy.pdf

**Performance Evaluation Criteria for Independent Directors:**

The performance evaluation is done on an annual basis by the Board of Directors of the Company.

On the basis of the report of performance evaluation, it is determined by the Board whether to extend or continue the term of appointment of Independent Director subject to all other applicable provisions.

**Independent Directors Meeting:**

Schedule IV of the Companies Act, 2013 and the Rule thereunder mandate that the independent directors of the Company hold at least one meeting in a year, without the attendance of non-independent directors and members of the Management. It is recommended that all the independent directors of the Company be present at such meetings.

Independent Directors meeting was held on March 11, 2022 and all the Independent Directors attended the meeting.

**Disclosure of Board Evaluation:**

The Performance Evaluation has been carried out for:

(i) The board as a whole,

(ii) Individual directors (including Independent Directors and chairperson) and

(iii) Various committees of the board.

Previous year's observations and actions taken:

There are no observations and actions pending to be taken by the Company and the Board is satisfied with all the processes being followed by the management and is hopeful in continuing the same good governance practices in the Company.

For this year, there was one suggestion given by the Nomination and Remuneration Committee, which would be implemented by the Management of the Company in due course of time.

**Shareholders**

**Annual General Meetings (AGM's):**

Venue, date and time of the Last Three Annual General Meetings:

| | | |
|---|---|---|
| (i). | Financial Year | 2018-19 |
| | Date | July 11, 2019 – 03.00 p.m. |
| | Venue | Oyster Hall, Waltair Club, Opposite Government Circuit House, Siripuram, Visakhapatnam – 530003. |
| | Special Resolutions | 1. Approval for payment of remuneration to Dr. Satyanarayana Chava, Executive Director & Chief Executive Officer (DIN: 00211921) of the Company.<br>2. Approval for payment of remuneration to Mr. V. V. Ravi Kumar, Executive Director & Chief Financial Officer (DIN: 01424180) of the Company.<br>3. Approval for payment of remuneration to Mr. Chandrakanth Chereddi, Executive Director (DIN 06838798) of the Company.<br>4. Approval for payment of remuneration to Dr. Lakshmana Rao C V, Executive Director (DIN: 06885453) of the Company.<br>5. Ratification of Laurus Employees Stock Option Scheme, 2018 (ESOP Scheme, 2018).<br>6. Approval of grant of options under Laurus ESOP Plan 2018 (ESOP 2018) to the eligible employees of the Subsidiary Companies. |
| (ii). | Financial Year | 2019-20 |
| | Date | July 9, 2020 – 03.00 p.m. |
| | Venue | Video Conference/Other Audio Visual Means (OAVM) |
| | Special Resolutions | 1. Appointment of Dr. Satyanarayana Chava (DIN: 00211921) as Executive Director and Chief Executive officer of The Company<br>2. Appointment of Mr. V. V. Ravi Kumar (DIN: 01424180) as Executive Director and Chief Financial officer of The Company<br>3. Revision of Remuneration of Dr. Lakshmana Rao C V, Whole-Time Director of The Company:<br>4. Alteration of Clauses of Articles of association of The Company |
| (iii). | Financial Year | 2020-21 |
| | Date | July 15, 2021 – 03.00 p.m. |
| | Venue | Video Conference/Other Audio Visual Means (OAVM) |
| | Special Resolutions | 1. Modification of Terms of Bonus in Employment Contrat of Dr. Satyanarayana Chava (Din 00211921), Executive Director and Chief Executive officer of the Company<br>2. Modification of Terms of Bonus In Employment Contrat of Mr. V. V. Ravi Kumar (Din 01424180), Executive Director and Chief Financial officer of the Company<br>3. Modification of Terms of Bonus In Employment Contrat of Dr. Lakshmana Rao C V, (Din 06885453), Whole-Time Director of the Company<br>4. Reappointment of Mrs. Aruna Bhinge As Independent Director<br>5. Reappointment of Dr. Rajesh Koshy Chandy As Independent Director<br>6. Approval of Laurus Labs Employees Stock Option Scheme 2021<br>7. Approval for Grant of Options Under Laurus Labs Esop Scheme 2021 (Esop Scheme 2021) To the Eligible Employees of the Subsidiary Companies<br>8. Alteration of Clauses of Articles of Association of the Company |

Whether any special resolution passed last year through postal ballot – No

Details of Voting Pattern – Not applicable

Person who conducted Postal Ballot – Not applicable

Whether any special resolution is proposed to be conducted through postal ballot – No

Procedure for Postal Ballot: As per Rule 22 of Companies (Management and Administration) Rules, 2014

**Means of Communication:**

The quarterly reports, along with additional information and official news releases, are posted on our website www.lauruslabs.com. Moreover, the quarterly / annual results and official news releases are generally published in Business Standard (English) and Prajasakthi (Telugu) newspapers.

Earnings calls with analysts and investors and their transcripts, presentations and audio recordings (w.e.f from April 1, 2022) are also posted on the website. Further, all material information which has any impact on the operations of the Company is sent to the Stock Exchanges and also the same shall be placed on the Company's website.

The Management Discussion and Analysis forms part of this Report and is provided separately in this Annual Report.

**General Shareholder Information:**

The 17th Annual General Meeting of the Company will be held through Video Conference (VC) at 4 p.m. on Thursday the 30th day of June 2022.

The Financial Year of the Company is from April 1, to March 31, next every year.

The Board has paid two interim dividends @ 40% as 1st interim dividend (i.e. 0.80 ps. per share of the face value of ₹2/- each) in November, 2021 and 2nd Interim dividend @ 60% (i.e. 1.20 rupees per share of the face value of ₹2/- each) for FY2022. Book closure for the purpose of AGM will be from June 24, 2022 to June 30, 2022 (both days inclusive). Cut-off date for e-voting is June 23, 2022.

**The Shares of the Company are listed on the following Stock Exchanges:**

(i) BSE Limited, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai – 400 001; and

(ii) National Stock Exchange of India Limited (NSE), Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.

The listing fees for the financial year has been paid to the respective stock exchanges.

Stock code: BSE Limited: 540222, NSE: LAURUSLABS. International Securities Identification Number (ISIN) for the Company's Equity Shares is INE947Q01028

**Depositories for Equity Shares:**

(i) National Securities Depository Limited (NSDL) and

(ii) Central Depository Services Limited (CDSL).

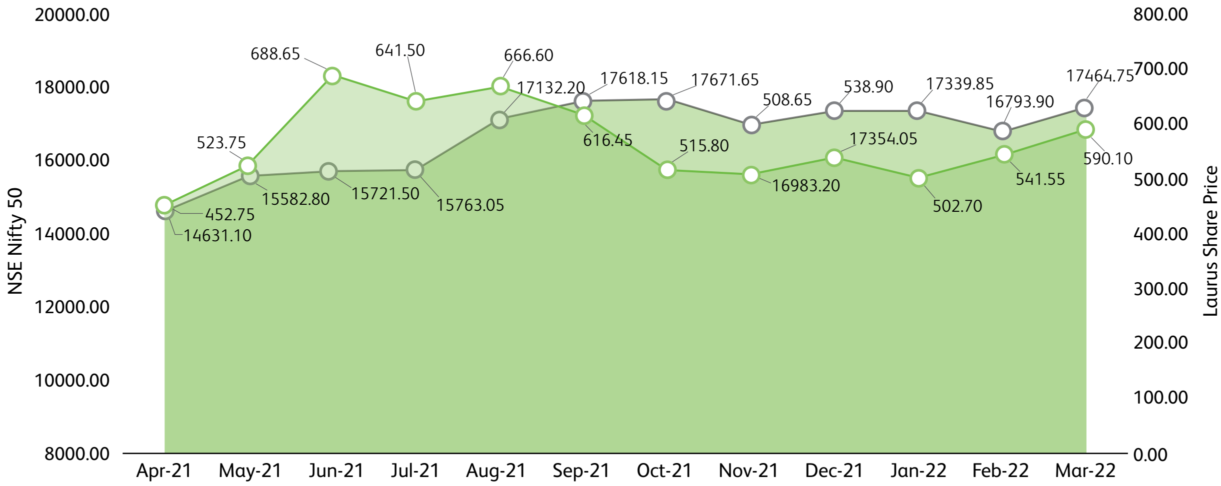
**Market Price data:**

High, low market price during each month in the financial year and volume of shares traded on NSE:

| Month | NSE | | | | | | NIFTY 50 |
|---|---|---|---|---|---|---|---|
| | High | Low | Close | Volume | High | Low | Close |
| April 2021 | 483 | 361.5 | 452.75 | 104046058 | 15044.35 | 14151.4 | 14631.1 |
| May 2021 | 527.95 | 456.1 | 523.75 | 65009147 | 15606.35 | 14416.25 | 15582.8 |
| June 2021 | 697.8 | 517.1 | 688.65 | 95108995 | 15915.65 | 15450.9 | 15721.5 |
| July 2021 | 693.25 | 588 | 641.5 | 62688987 | 15962.25 | 15513.45 | 15763.05 |
| August 2021 | 723.75 | 628.1 | 666.6 | 68870261 | 17153.5 | 15384.65 | 17132.2 |
| September 2021 | 671 | 587.25 | 616.45 | 49125198 | 17947.65 | 17055.05 | 17618.15 |
| October 2021 | 663 | 488.1 | 515.8 | 63782397 | 18604.45 | 17452.9 | 17671.65 |
| November 2021 | 555.2 | 451 | 508.65 | 76071000 | 18210.15 | 16782.4 | 16983.2 |
| December 2021 | 555 | 468 | 538.9 | 42859575 | 17639.5 | 16410.2 | 17354.05 |
| January 2022 | 546.65 | 440 | 502.7 | 63512015 | 18350.95 | 16836.8 | 17339.85 |
| February 2022 | 568 | 496 | 541.55 | 54826639 | 17794.6 | 16203.25 | 16793.9 |
| March 2022 | 613.9 | 521.4 | 590.1 | 40852379 | 17559.8 | 15671.45 | 17464.75 |

Chart given below shows the stock performance at closing prices in comparison to the broad-based index such as NSE Nifty 50.

## NSE NIFTY 50 VS LAURUS SHARE PRICE




| | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NSE Nifty 50 | 14631.10 | 15582.80 | 15721.50 | 15763.05 | 17132.20 | 17618.15 | 17671.65 | 16983.20 | 17354.05 | 17339.85 | 16793.90 | 17464.75 |
| Laurus Share Price | 452.75 | 523.75 | 688.65 | 641.50 | 666.60 | 616.45 | 515.80 | 508.65 | 538.90 | 502.70 | 541.55 | 590.10 |

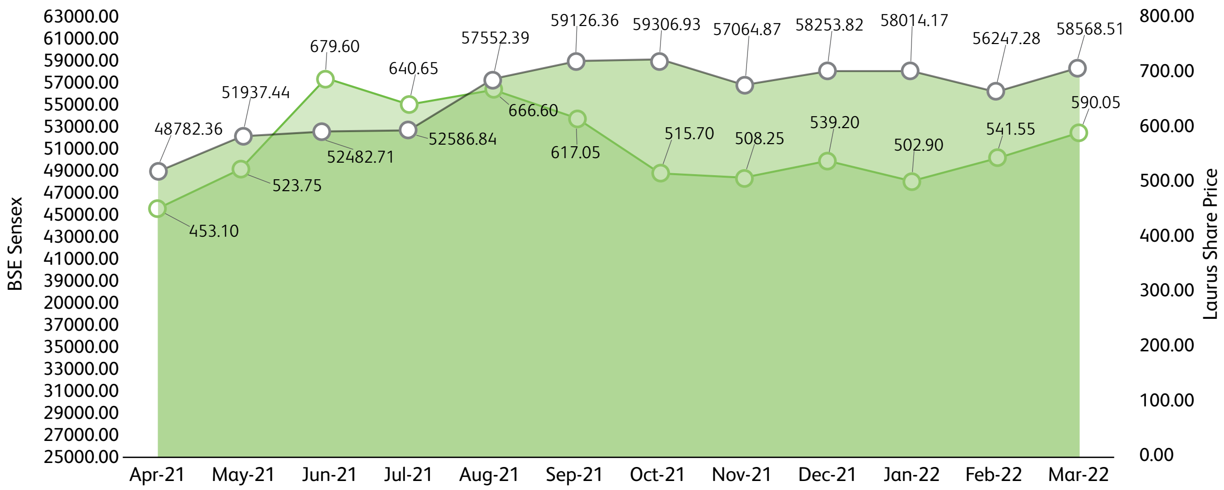
NSE Nifty 50 Vs Laurus Share Price

High, low market price during each month in the financial year and volume of shares traded on BSE:

| Month | BSE | | | | S&P BSE SENSEX | | |
|---|---|---|---|---|---|---|---|
| | High (₹) | Low (₹) | Close (₹) | Volume | High (₹) | Low (₹) | Close (₹) |
| April 2021 | 482.65 | 360.60 | 453.10 | 5803455 | 50375.77 | 47204.50 | 48782.36 |
| May 2021 | 527.70 | 456.50 | 523.75 | 4013636 | 52013.22 | 48028.07 | 51937.44 |
| June 2021 | 697.75 | 517.15 | 679.60 | 5901720 | 53126.73 | 51450.58 | 52482.71 |
| July 2021 | 693.20 | 588.20 | 640.65 | 8528609 | 53290.81 | 51802.73 | 52586.84 |
| August 2021 | 723.55 | 626.00 | 666.60 | 3660302 | 57625.26 | 52804.08 | 57552.39 |
| September 2021 | 671.00 | 587.05 | 617.05 | 3423781 | 60412.32 | 57263.90 | 59126.36 |
| October 2021 | 663.00 | 488.65 | 515.70 | 5254535 | 62245.43 | 58551.14 | 59306.93 |
| November 2021 | 555.30 | 444.90 | 508.25 | 6086903 | 61036.56 | 56382.93 | 57064.87 |
| December 2021 | 554.90 | 468.00 | 539.20 | 3069737 | 59203.37 | 55132.68 | 58253.82 |
| January 2022 | 546.80 | 433.20 | 502.90 | 3785331 | 61475.15 | 56409.63 | 58014.17 |
| February 2022 | 568.0 | 497.55 | 541.55 | 3235152 | 59618.51 | 54383.20 | 56247.28 |
| March 2022 | 613.35 | 521.55 | 590.05 | 2298695 | 58890.92 | 52260.82 | 58568.51 |

Chart given below shows the stock performance at closing prices in comparison to the broad-based index such as BSE Sensex.

## BSE VS LAURUS LABS (2021-22)




| | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BSE Sensex | 48782.36 | 51937.44 | 52482.71 | 52586.84 | 57552.39 | 59126.36 | 59306.93 | 57064.87 | 58253.82 | 58014.17 | 56247.28 | 58568.51 |
| Laurus Share Price | 453.10 | 523.75 | 679.60 | 640.65 | 666.60 | 617.05 | 515.70 | 508.25 | 539.20 | 502.90 | 541.55 | 590.05 |

BSE Sensex Vs Laurus Share Price

There was no suspension of trading of securities of the Company during the year under review.

The Company's shares are transferable through the depository system. The Company has appointed KFin Technologies Limited (Formerly KFin Technologies Private Limited) as its Registrars and Share Transfer Agents and also Depository Transfer Agent. The Company has signed a tripartite agreement with NSDL/CDSL and KFin Technologies Limited to facilitate dematerialisation of shares. The Members may contact for the redressal of their grievances to either KFin Technologies or the Company Secretary of the Company.

In respect of transmission of physical shares, Shareholders are advised to contact our Registrars:

**KFin Technologies Limited**

(Formerly KFin Technologies Private Limited)
Selenium Building, Tower B, Plot No. 31-32,
Financial District, Nanakramguda,
Serilingampally, Hyderabad,
Telangana – 500 032
Tel: +91 40 6716 2222; Toll Free No.: 1-800-3454-001
Fax: +91 040-23001153
E-mail: einward.ris@kfintech.com
Website: https://www.kfintech.com

**Distribution of Shareholding as on March 31, 2022:**

| Category (No. of Shares) | | No. of Share Holders | % | No. of Shares | % |
|---|---|---|---|---|---|
| 1 | 500 | 410887 | 93.48 | 28845674 | 5.37 |
| 501 | 1000 | 13361 | 3.04 | 10160496 | 1.90 |
| 1001 | 2000 | 6930 | 1.58 | 10122734 | 1.88 |
| 2001 | 3000 | 2572 | 0.58 | 6487046 | 1.21 |
| 3001 | 4000 | 1201 | 0.27 | 4287829 | 0.80 |
| 4001 | 5000 | 865 | 0.20 | 4053958 | 0.75 |
| 5001 | 10000 | 1657 | 0.38 | 12052640 | 2.24 |
| 10001 and above | | 2083 | 0.47 | 461348958 | 85.85 |
| **Total** | | **439556** | **100.00** | **537359335** | **100.00** |

**Details of Shareholding in physical mode and electronic mode as on March 31, 2022:**

| S. No. | Description | % of Shareholders | No. of Shares | % of Equity |
|---|---|---|---|---|
| 1. | Physical | 0.00 | 510 | 0.00 |
| 2. | NSDL | 31.84 | 455933428 | 84.85 |
| 3. | CDSL | 68.16 | 81425397 | 15.15 |
| | **Total** | **100.00** | **53,73,59,335** | **100.00** |

**Dematerialisation of Shares and Liquidity:**

53,73,58,825 shares representing 99.999% shares have been in dematerialisation form while 510 shares representing 0.001% in physical form.

The Company has not issued any GDR/ADR and there are no outstanding warrants or any convertible instruments.

The Company has undertaken hedging activities for foreign exchange risk, whereas the Company has not undertaken any hedging for commodity price risk.

**Location of Plants:**

**Unit 1**
Plot No.: 21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam – 531 021, Andhra Pradesh, India.

**Unit 2**
Plot No: 19, 20, 21; APSEZ, Gurajapalem, Atchutapuram, Visakhapatnam – 531 011, Andhra Pradesh, India.

**Unit 3**
Plot No: 18, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam 531021, Andhra Pradesh, India.

**Unit 4**
Plot No: 25, Lalamkoduru, Atchutapuram, Visakhapatnam 531011, Andhra Pradesh, India.

**Unit 5**
Plot No: 102 & 103, SEZ, Lemarthi, Parwada, Visakhapatnam 531021, Andhra Pradesh, India.

**Unit 6**
Plot No: 22D & 22E, APSEZ De-Notified Area, Atchutapuram, Visakhapatnam 531011, Andhra Pradesh, India.

**Research & Development Centre**
Plot No. DS1 & DS2, IKP Knowledge Park, Turkapally, Shameerpet, Hyderabad – 500101, Telangana, India.

**Address for Correspondence:**
**Registered Office:** Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam 531021, Andhra Pradesh, India.

**Corporate Office:** 2nd Floor, Serene Chambers, Road No.7, Banjara Hills, Hyderabad – 500 034, Telangana, India.

**Disclosures Pertaining to Credit Rating:**

Following are the Credit ratings obtained during the financial year, which are also available in the website of the Company http://laurusiabs.com/:

| Rating Agency | Facilities Rated | Amount Rated | Rating Assigned | Date of Rating |
|---|---|---|---|---|
| CARE Ratings Limited | Long-term Bank Facilities | 1,930.64 | CARE AA; Stable | June 24, 2021 |
| | | (Enhanced from 1,291.81) | (Double A; Outlook: Stable) | |
| | Short-term Bank Facilities | 473.2 | CARE A1+ (A One Plus) | June 24, 2021 |
| | | (Enhanced from 373.20) | | |
| | Short-term Commercial Paper | 200 | CARE A1+ (A One Plus) | November 23, 2021 |
| | Commercial Paper (Carved out) | 100 | CARE A1+ (A One Plus) | November 23, 2021 |
| | Short-term Commercial Paper | 200 | CARE A1+ (A One Plus) | August 23, 2021 |
| | Commercial Paper (Carved out) | 100 | CARE A1+ (A One Plus) | August 23, 2021 |
| | Short-term Commercial Paper | 200 | CARE A1+ (A One Plus) | June 24, 2021 |
| | Commercial Paper (Carved out) | 100 | CARE A1+ (A One Plus) | June 24, 2021 |

**Other Disclosures:**

**Related Party Transactions:**

No transaction of material nature has been entered into by the Company with its Directors/Management and their relatives etc. that may have a potential conflict with the interest of the Company. The Register of Contracts containing transactions, in which Directors are interested, is placed before the Board regularly.

Transactions with Related Parties are disclosed in the Notes to Accounts in the Annual Report.

In terms of SEBI (LODR) Regulations 2015, the Audit Committee and Board of Directors of the Company have adopted a policy to determine the related party transactions. The policy is placed on the Company's website at
http://lauruslabs.com/Investors/PDF/Policies/Related_Party_Transactions_Policy.pdf

**Details of Non-compliances and penalties:**

There were no instances of non-compliance or penalties/ strictures by the stock exchanges/SEBI/statutory authorities on any matter related to capital markets during the last three years.

**Vigil Mechanism/Whistle-Blower Policy:**

The Board of Directors of the Company had adopted the whistle-blower policy. The Company has established a mechanism for employees and Directors to report to the management, concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of conduct etc. The employees have been appropriately communicated within the organisation about the mechanism and have been provided direct access to the Chairman of the Audit Committee. The mechanism also lays emphasis on making enquiry into whistle-blower complaint received by the Company. The Audit Committee reviews periodically the functioning of the whistle-blower mechanism. No employee has been denied access to the Audit Committee. A copy of the whistle-blower Policy is hosted on the Company's website at http://lauruslabs.com/Investors/PDF/Policies/Whistle_Blower_Policy__1.pdf

**Details of Compliance with Mandatory Requirements and Adoption of the Non-Mandatory Requirements:**

The Company has complied with all the mandatory requirements of Corporate Governance as per SEBI (LODR) Regulations, 2015 and is in the process of implementing the non-mandatory requirements.

**Policy on Material Subsidiaries:**

In terms of the SEBI (LODR) Regulations, 2015, the Board of Directors of the Company has adopted a policy with regard to determination of material subsidiaries. The policy is placed on the Company's website at http://lauruslabs.com/Investors/PDF/Policies/PolicyOnMaterialityOfSubsidiaries.pdf

**Disclosures Pertaining to Commodity Risk:**

The Company has framed a policy on Forex Risk Management Policy for managing the risks faced and hedging activities.

The risk management activities during the year, including their commodity hedging positions and the risks faced and managed:

The Company has not undertaken any commodity hedging positions during the period under review.

Details of utilisation funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32(7A):

The Company has not raised any funds through preferential allotment or qualified institutions placement during the current financial year and hence not applicable.

The Board had accepted recommendations of various committees of the board which were mandatorily required in the relevant financial year.

Total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part, for the FY2022 is as follows:

(₹ in crore)

| Particulars | 2021-22 | 2020-21 |
|---|---|---|
| Statutory Auditors: | 0.73 | 0.73 |
| Tax Audit Fee | 0.07 | 0.07 |
| Limited Review | 0.37 | 0.33 |
| Others | 0.10 | 0.12 |
| **Total** | **1.27** | **1.25** |

**Disclosures in Relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

a) number of complaints filed during the financial year - Nil

b) number of complaints disposed of during the financial year - Nil

c) number of complaints pending as on end of the financial year - Nil

**Disclosures in Relation to Loans and Advances in the Nature of Loans to Firms/Companies in which Directors are interested by the Company and its Subsidiaries:**

| Sl. No | Name of Firm/company to which Loans or Advances have been provided | Amount (in crore ) | Name of the interested Director | Nature of Interest | Name and status of the Disclosing Entity |
|---|---|---|---|---|---|
| 1 | Laurus Synthesis Private Limited | 7.5 | Mr. Krishna Chaitanya Chava | Common Director | Sriam Labs Private Limited (Wholly-owned subsidiary of Laurus Labs Limited) |
| 2 | Laurus Bio Private Limited | 20 | Dr. Satyanarayana Chava and Mr. V. V. Ravi Kumar | Common Directors | Laurus Labs Limited (Holding Company of Laurus Bio Private Limited) |

**Note:** Apart from above your Company has also advanced and Inter Corporate Loan of ₹68.22 crore to its wholly-owned subsidiary M/s. Laurus Synthesis Private Limited during the period under review.

### Non-Compliance of any Requirements of Corporate Governance report of sub-paras (2) to (10) of Schedule V

The Company has complied with the requirement of corporate governance report of sub-paras (2) to (10) of Schedule V of the SEBI (LODR) Regulations, 2015.

### Adoption of Discretionary Requirements as specified in Part E of Schedule II of SEBI (LODR) Regulations, 2015

With regard to discretionary requirements, the Company has adopted clauses relating to the following:

Separate persons were appointed for the post of the Chairman and the CEO. The financial statements of the Company so far have an unmodified audit opinion. Internal auditors report directly to the Audit Committee.

### The disclosures of the compliance with Corporate Governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 are as follows:

| Regulation | Particulars of Regulations | Compliance Status Yes/No |
|---|---|---|
| 17 | Board of Directors | Yes |
| 18 | Audit Committee | Yes |
| 19 | Nomination and Remuneration Committee | Yes |
| 20 | Stakeholders Relationship Committee | Yes |
| 21 | Risk Management Committee | Yes |
| 22 | Vigil Mechanism | Yes |
| 23 | Related Party Transactions | Yes |
| 24 | Corporate Governance requirements with respect to subsidiary of listed entity | Yes |
| 25 | Obligations with respect to Independent Directors | Yes |
| 26 | Obligations with respect to Directors and Senior Management | Yes |
| 27 | Other Corporate Governance requirements | Yes |
| 46 (2)(b) to (i) | Functional Website | Yes |

### Code of Conduct:

In compliance with Regulation 26(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and the Companies Act, 2013, the Company has framed and adopted a Code of Conduct policy. The Code is applicable to the members of the Board, the executive officers and all employees of the Company and its subsidiaries. The Code is available on our website http://lauruslabs.com/Investors/PDF/Policies/Code_of_Conduct_Policy.pdf

All members of the Board, the executive officers and senior financial officers have affirmed compliance to the Code as on March 31, 2022.

### Prevention of Insider Trading:

The Company has adopted an Insider trading Policy to regulate, monitor and report trading by insiders under the SEBI (Prohibition of Insider Trading) Regulations, 2015. This policy includes practices and procedures for fair disclosure of unpublished price-sensitive information, initial and continual disclosure. The Board reviews the policy on a need basis. The policy is available on our website http://lauruslabs.com/Investors/PDF/Policies/CodeForProhibitionOfInsiderTrading.pdf

### CEO and CFO Certification:

As required by SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the CEO & CFO certification is provided in this Annual report as Annexure-C.

### Auditors' Certificate on Corporate Governance

As required by Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the Certificate on Corporate Governance issued by practising Company Secretary is annexed to the Board's report as **Annexure-D**.

### Declaration

I, Dr. Satyanarayana Chava, Chief Executive Officer, hereby declare that as provided under SEBI (LODR) Regulations, 2015, the Board Members and the senior management personnel have confirmed compliance with the Code of Conduct for the year ended March 31, 2022.

For **Laurus Labs Limited**

Place: Hyderabad
Date: April 28, 2022

**Dr. Satyanarayana Chava**
Chief Executive Officer

# ANNEXURE – A

## CERTIFICATE

(Pursuant to Regulation 34(3) read with Schedule V of Securities and Exchange Board of India
(Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
**M/s. LAURUS LABS LIMITED**
Plot No.21, Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam, Andhra Pradesh – 531 021.

We have examined and verified the books, papers, minute books, forms and returns filed and other records maintained by M/s. **Laurus Labs Limited** (hereinafter referred to as the **"Company"**) having its registered office at Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam, Andhra Pradesh – 531 021 and the information provided by the Company and its directors and also based on the information available at the websites of Ministry of Corporate Affairs (i.e. www.mca.gov.in) and Securities and Exchange Board of India (ie www.sebi.gov.in), we hereby certify that as on the date of this certificate, none of the directors on the board of the Company have been debarred or disqualified from being appointed or continuing as directors of Company by Securities and Exchange Board of India / Ministry of Corporate Affairs or any such statutory authority.

For **RPR & ASSOCIATES**
Company Secretaries

**Y. Ravi Prasada Reddy**
Proprietor
FCS No. 5783, C P No. 5360
UDIN: F005783D000229963
Peer Review Certificate No. 1425/2021

Place: Hyderabad
Date: April 28, 2022

# ANNEXURE –B

## Annual Secretarial Compliance Report of
**M/s. Laurus Labs Limited for the year ended 31.03.2022**

(Pursuant to circular dated February 8, 2019 issued by SEBI)

We, M/s. RPR and Associates, Company Secretaries, Hyderabad, have examined:

(a) all the documents and records made available to us and explanation provided by M/s. Laurus Labs Limited (CIN: L24239AP2005PLC047518) having its registered office at Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam, Andhra Pradesh – 531 021, ("the listed entity");

(b) the filings/ submissions made by the listed entity to the stock exchanges;

(c) website of the listed entity; and

(d) any other document/ filing, as may be relevant, which has been relied upon to make this certification/report, for the year ended March 31, 2022 ("Review Period") in respect of compliance with the provisions of :

- the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
- 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:-

- Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
- Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013;
- Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and amendments from time to time;
- The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) (Amendment) Regulations, 2018 regarding the Companies Act and dealing with client;

and circulars/guidelines issued thereunder;

and based on the above examination, we hereby report that, during the Review Period:

- The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder:
- 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;
- During the Review Period, no actions have been 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.
- There were no observations in the previous report ie for the financial year 2020-21. Therefore no actions required by the Company to comply with observations.

For **RPR & ASSOCIATES**

Company Secretaries

**Y. Ravi Prasada Reddy**
Proprietor
FCS No. 5783, C P No. 5360

Place: Hyderabad UDIN: F005783D000229908

Date: April 28, 2022 Peer Review Certificate No. 1425/2021

# ANNEXURE –C

Date: April 25, 2022

To,
The Board of Directors
**Laurus Labs Limited**

We, Dr. Satyanarayana Chava, CEO and Mr. V. V. Ravi Kumar, CFO hereby certify as under:

A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2022 and that to the best of our knowledge and belief:

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

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

B. To the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2022 are fraudulent, illegal or violative of the Company's Code of Conduct.

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

D. (1) There have not been any significant changes in internal control over financial reporting during the year;

   (2) There have not been any significant changes in accounting policies during the year requiring disclosure in the notes to the financial statements; and

   (3) We are not aware of any instances during the year of significant fraud with involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Thanking you

| | |
|---|---|
| For Laurus Labs Limited | For Laurus Labs Limited |
| Sd/- | Sd/- |
| **Dr. Satyanarayana Chava** | **Mr. V. V. Ravi Kumar** |
| Chief Executive Officer | Chief Financial Officer |

# ANNEXURE –D

## Certificate on Corporate Governance

To,

The Members of

**M/s. LAURUS LABS LIMITED**

Plot No.21, Jawaharlal Nehru Pharma City,

Parawada, Visakhapatnam, Andhra Pradesh – 531 021.

We have examined the compliance conditions of Corporate Governance by M/s. **Laurus Labs Limited** for the financial year ended March 31, 2022, as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["SEBI (LODR) Regulations, 2015"] and the Uniform Listing Agreement entered between the Company & Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's 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 knowledge and according to the explanations given to us, we certify that the Company has complied with the conditions of applicable Corporate Governance as stipulated in the above mentioned SEBI (LODR) Regulations, 2015 and the Uniform Listing Agreement.

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 **RPR & ASSOCIATES**

Company Secretaries

**Y. Ravi Prasada Reddy**

Proprietor

FCS No. 5783, C P No. 5360

UDIN: F005783D000230007

Peer Review Certificate No. 1425/2021

Place: Hyderabad

Date: April 28, 2022

# Business Responsibility Report

## Overview:

Laurus Labs strives for innovation to enhance quality and to provide affordable integrated pharmaceutical solutions to facilitate wellness and wellbeing across the globe. One Quality for all the Markets is the philosophy under which the Company operates its businesses. The Company strives to seek greater alignment between its stakeholders to generate value in the long term by delivering its promise.

## Section A: General Information about the Company

| | | |
|---|---|---|
| 1. | Corporate Identity Number (CIN) of the Company | L24239AP2005PLC047518 |
| 2. | Name of the Company | Laurus Labs Limited |
| 3. | Company Address | Registered Office: Plot No.21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam – 531 021, Andhra Pradesh, India. |
| | | Corporate Office: 2nd Floor, Serene Chambers, Road No.7, Banjara Hills, Hyderabad – 500 034, Telangana, India. |
| 4. | Website | www.lauruslabs.com |
| 5. | E-mail ID | secretarial@lauruslabs.com |
| 6. | Financial year reported | April 1, 2021 to March 31, 2022 |
| 7. | Sector(s) that the Company is engaged in (industrial activity code-wise) | NIC Code of product/service: 21001/21002 |
| | | Description: Manufacturing of active pharmaceutical ingredients and Finished Dosage forms |
| 8. | List of three key products/services that the Company manufactures / provides (as in balance sheet) | Laurus manufactures Active Pharmaceutical Ingredients (API) for anti-retroviral, oncology, cardio vascular, diabetic and hypertension, nutraceutical and other products. Key Products: Efavirenz, Tenofovir (TDF), Gemcitabine and Finished Dosage Forms (FDF) of these Products and Bio Technology |
| 9. | Total number of locations where business activity is undertaken by the Company | There are six manufacturing facilities and one R&D Centre. |
| | | Sriam Labs Pvt Ltd., the Subsidiary of the Company, has one manufacturing facility around Hyderabad. |
| | | Laurus Synthesis Private Limited, the Subsidiary of the Company has one manufacturing facility in Visakhapatnam. |
| | | Laurus Bio Private Limited (Formerly Richcore Lifesciences Private Limited), Subsidiary of the Company has Two manufacturing facilities in Bangalore. |
| | | Laurus Generics SA (Pty) Ltd., a Subsidiary of the Company has its office at P O Box 1587, Gallo Manor, Gauteng, 2052. |
| | | Laurus Holdings Limited, an UK Subsidiary of the Company has office Unit 32, City Business Centre, Hyde Street, Winchester Hants, SO23 7TA, United Kingdom. |
| | | Laurus Generics Inc., an US step down Subsidiary of the Company has office at 200, Bellevue Parkway, Suite 210, Wilmington, County of New Castle – 19809. |
| | | Laurus Generics GmbH, a German step down Subsidiary of the Company has office at C/o. Alfred E. Tiefenbacher, Van-Der-Smissen-Strasse 1, Hamburg DE – 22767. |
| 10. | Markets served by the Company – Local/state/national/international | The Company, in addition to marketing its products domestically, also markets its products globally over 60 countries. Around 71% of sales are generated from international markets. |

## Section B: Financial details of the Company:

| | | |
|---|---|---|
| 1. | Paid up Capital | ₹107.47 crore |
| 2. | Total Turnover | Gross turnover of ₹4,707.04 crore on standalone basis. |
| 3. | Total Profit After Tax | ₹750.09 crore on standalone basis. |
| 4. | Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) | CSR spend during the financial year 2021-22 was ₹11.50 crore (2.02%) of last three years average Profit After Tax on standalone basis) |
| 5. | List of activities in which the expenditure in 4 above has been incurred | • Education |
| | | • Health |
| | | • Rural sports promotion, Eradicating hunger, poverty and malnutrition etc. |

## Section C: Other Details:

| | | |
|---|---|---|
| 1. | Does the Company have any subsidiary Company/companies | Yes, the Company has five Subsidiaries and two step down Subsidiaries, three Subsidiaries are located in India, one in United Kingdom and one in South Africa. One Step down subsidiary is located in United States of America and one in Germany.<br>The Company also has one Associate Company in India. |
| 2. | Do the subsidiary company/ companies participate in the BR initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s) | The parent company undertakes majority of the BR initiatives |
| 3. | Do any other entity/entities (eg. Suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities. | Entities like suppliers, distributors did not participate in the Company BR initiatives in the reporting period. |

## Section D: BR Information

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

**a) Details of the Director responsible for implementation of the BR policies:**

| Particulars | Details |
|---|---|
| DIN Number | 00211921 |
| Name | Dr. Satyanarayana Chava |
| Designation | Chief Executive Officer |
| Telephone No. | 040-39804333 |
| E-mail ID | secretarial@lauruslabs.com |

**b) Details of the BR head: Same as above**

### 2. Principle-wise (as per NVGs) BR Policy/policies

Details of Compliance:

| Sl. No. | Questions | Ethics | Product Lifecycle Sustainability* | Employees well-being | Stakeholders engagement | Human rights | Environment | Policy advocacy | Community Development (CSR) | Customer Value |
|---|---|---|---|---|---|---|---|---|---|---|
| | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
| 1 | Do you have policies for | Yes | No | Yes | No formal policy yet | No formal policy yet | Yes | No | Yes | No |
| 2 | Has the policy being formulated in consultation with the relevant stakeholders? | Yes | N.A. | Yes | N.A. | N.A. | Yes | N.A. | Yes | N.A. |
| 3 | Does the policy conform to any national/ international standards? If yes, specify. | Yes, We follow GRI guidelines | N.A. | Yes. We follow ISO45001 | N.A. | N.A. | Yes** | N.A. | Yes | N.A. |
| 4 | Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director? | Approved by HOD | N.A. | Yes | N.A. | N.A. | Yes | N.A. | Yes | N.A. |
| 5 | Does the Company have a specified committee of the Board/ Director/ official to oversee the implementation of the policy | Yes | N.A. | Yes | N.A. | N.A. | Yes | N.A. | Yes | N.A. |
| 6 | Indicate the link for the policy to be viewed on-line | www.lauruslabs.com, Intranet | N.A. | Intranet | N.A. | N.A. | Intranet | N.A. | www.lauruslabs.com | N.A. |

| Sl. No. | Questions | Ethics | Product Lifecycle Sustainability* | Employees well-being | Stakeholders engagement | Human rights | Environment | Policy advocacy | Community Development (CSR) | Customer Value |
|---|---|---|---|---|---|---|---|---|---|---|
| | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
| 7 | Has the policy been formally communicated to all relevant internal and external stakeholders? | Yes | N.A. | Yes | N.A. | N.A. | Yes | N.A. | Yes | N.A. |
| 8 | Does the Company have in-house structure to implement the policies? | Yes | N.A. | Yes | N.A. | N.A. | Yes | N.A. | Yes | N.A. |
| 9 | Does the Company have a grievance redressal mechanism related to the policies to address stakeholders' grievances related to the policies? | Yes | N.A. | Yes | N.A. | N.A. | Yes | N.A. | Yes | N.A. |
| 10 | Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency? | No | N.A. | Yes | N.A. | N.A. | Yes | N.A. | Yes | N.A. |

The policies are framed as per the national standards applicable to India.

* Definition Product Lifecycle Sustainability: It is an approach to managing the stages of – product existence so that any negative impact on the environment is minimised. Although we have done Life Cycle Assessment) for Curcumin and Resvertrol in earlier years, there is no policy in place.

** Policy is in line with ISO 14001 international standards.

### 3. Governance related to BR

a. Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assess the BR performance of the Company: **Annually.**

b. Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? **BR is published as part of Annual Report every year and Sustainability Report is being prepared for every two years and latest report is of 2021 which is placed on the website of the Company at www.lauruslabs.com.**

## Section-E : Principle-wise Performance

### Principle-1 – Ethics

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the group/joint ventures/suppliers/contractors/NGOs/ others?

   **The Company is committed to building a strong ethical organisation. Currently, the policy relating to ethics, bribery and corruption cover only the Company. However, the Company has adopted a Code of Conduct policy which is applicable to all supervisory, executive and managerial employees of the Company including the board members and also covers subsidiaries as well but not extended to others vendors/others.**

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

   **The Company has received 45 investor complaints and all of them have been resolved satisfactorily and no complaint is pending for resolution as on March 31, 2022.**

### Principle-2 – Product Life Cycle Sustainability

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

   **Carbon footprint study carried out for two of nature identical products Lamivudine & Dolutegravir**

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

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

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

3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof.

   **The Company has laid down standard operating procedures for the selection of its vendors, which is inclusive of sustainable sourcing aspects. Natural products sourcing is in accordance with Nogoya protocol and Biodiversity Act.**

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

   **The Company needs to follow certain procedures in terms of sourcing of materials and based on the availability preference will be given for the domestic sources. Contract workmen were engaged from the local community.**

5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste? Also, provide details thereof, in about 50 words or so.

   **Yes, the Company has a mechanism to recycle or dispose waste materials. The solvents are recovered and reused wherever possible in the process.**

### Principle-3 – Employee Wellbeing

1. Please indicate the total number of employees

   **5,131**

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

   **3,344**

3. Please indicate the number of permanent women employees

   **388**

4. Please indicate the number of permanent employees with disabilities

   **Nil**

5. Do you have an employee association that is recognised by the management?

   **No**

6. What percentage of your permanent employees is member of this recognised employee association?

   **Not applicable**

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

   **Nil**

8. What percentage of your under-mentioned employees were given safety & skill up-gradation training in the last year?

| | R&D (%) | U-1 (%) | U-2 (%) | U-3 (%) | U-4 (%) | U-5 (%) | U-6 (%) | Total (%) |
|---|---|---|---|---|---|---|---|---|
| Permanent employees | 90 | 100 | 85 | 100 | 95 | 100 | 80 | 93 |
| Permanent women employees | 80 | 100 | 74 | 100 | 100 | 100 | 100 | 93 |
| Casual/ Temporary/ Contractual employees | 95 | 100 | 90 | 100 | 100 | 100 | 83 | 95 |
| Employees with disabilities | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |

### Principle-4 – Stakeholders engagement

1. Has the Company mapped its internal and external stakeholders?

   **Yes**

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

   **Yes**

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

   **The Company implements all special protection rights such as Whistle blower mechanism, minority shareholders' rights etc. and implements all Corporate Governance Practices with highest standards so that all stakeholders gets their due share of benefits.**

### Principle-5 – Human Rights

1. Does the policy of the Company on human rights cover only the Company or extend to the group/joint ventures/suppliers/contractors/NGOs/others?

   **The Company is yet to implement the formal policy.**

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

**Nil**

### Principle 6 – Environment

1. Does the policy cover only the Company or extends to the group/joint ventures/suppliers/contractors/NGOs/others?

   **The Company and its subsidiaries**

2. Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warning, etc.?

   **As part of the global warming and climate change, Company complies with avoiding use of ozone depleting chemicals CTC, EDC, CFC etc. This year we are taking climate risk assessment studies.**

3. Does the Company identify and assess potential environmental risks?

   **Yes. New products are introduced after proper HAZOP and environmental impact assessment. Also company carries out aspect-impact study for all activities and based on the assessment necessary actions are initiated to control the environmental impact if any.**

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so?

   **No**

5. Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy etc.?

   **Yes. To minimise power usage LED lights have been used and more efficient agitators, temperature controller for process cooling tower fans, VFD arrangement to screw compressors, chillers, AHUs etc. have been provided. Solar panels are installed at units to use renewable energy as well. To promote clean and green transportation we are using battery operated vehicle and electrical vehicle inside the plant.**

6. Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

   **Yes**

7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as at the end of the financial years.

   **Nil**

### Principle-7 – Policy advocacy

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

   **The Company is a member in –**

   **Confederation of Indian Industry**

   **Pharmaceuticals Export Promotion Council of India**

   **The Federation of TG and AP Chambers of Commerce & Industry (FTAPCCI)**

   **Bulk Drugs Manufacturers Association**

   **JNPC Manufacturers Association**

   **The Associated Chambers of Commerce & Industry of India**

   **Indo American Chamber of Commerce, Hyderabad**

   **Indian Drug Manufacturers Association**

   **Federation of Indian Chambers of Commerce and Industry**

2. Have you advocated/lobbied through above associates for the advancement or improvement of public good? Yes/No; if yes, specify the broad areas.

   **No, but the Company implements various CSR activities for the advancement or improvement of public good.**

### Principle-8 – Community Development (CSR)

1. Does the company have specified programmes/initiatives/projects in pursuit of this policy? If yes, details thereof.

   **Promoting Education, Health and sanitation. The Company collaborated with Universities for providing practical training as part of curriculum in M.Sc course.**

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

   **In house team and Own Foundation**

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

   **No**

4. What is your Company's direct contribution to community development projects – amount and details of the projects undertaken?

   **₹11.50 crore, detailed CSR Projects have been provided in the Board's Report which forms part of Annual Report.**

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?

   **Yes**

### Principle-9 – Customer value

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

   **Nil**

2. Does the Company display product information on the product label, over and above what is mandated as per local laws?

   **Based on specific customer requirement**

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of the financial year?

   **Nil**

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

   **No**

# Independent Auditor's Report

To The Members of
**Laurus Labs Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of Laurus Labs Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2022, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

| Sr. No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| 1 | **Revenue recognition - Refer note 17 of the standalone financial statements**<br>The Company recognises revenue from products based on the terms and conditions of transactions which varies with different customers.<br>For sale transactions in a certain period of time around the Balance Sheet date, it is essential to ensure that the control of goods have transferred to the customers. As revenue recognition is subject to management's judgement on whether the control of the goods have been transferred, we consider cut–off of revenue as a key audit matter. | **Principal audit procedures performed:**<br>We obtained an understanding of the revenue recognition process and tested the Company's controls around the timely and accurate recording of sales transactions.<br>We have obtained an understanding of a sample of customer contracts.<br>We tested the access and change management controls of the relevant information technology system in which shipments are recorded.<br>Our test of revenue samples focused on sales recorded immediately before the year-end, obtaining evidence to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents. |

## Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's report including annexures to Board's report, Report on Corporate Governance and Business Responsibility Report but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.
- Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our 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.

## Management's Responsibility for the Standalone Financial Statements

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

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

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

## Auditor's Responsibility for the Audit of the Standalone Financial Statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit, we report, to the extent applicable that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.

    d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.

    e) On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act.

    f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

    g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

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

        i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements.

        ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

        iv. (a) The Management has represented that, to the best of it's knowledge and belief, as disclosed in the note 42(vi) to the Standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

        (b) The Management has represented, that, to the best of it's knowledge and belief, as disclosed in the note 42(vii) to Standalone financial statements, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

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

        v. (a) The first interim dividend declared and paid by the Company during the year and until the date of this report is in accordance with section 123 of the Companies Act 2013.

(b) The second interim dividend declared by the Company during the year is in accordance with section 123 of the Companies Act 2013 to the extent it applies to declaration of dividend. However, the said dividend was not due for payment on the date of this audit report.

(c) The interim dividend paid by the Company during the year in respect of the same declared for the previous year is in accordance with section 123 of the Companies Act 2013 to the extent it applies to payment of dividend.

2. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

**Ganesh Balakrishnan**
Partner
(Membership No. 201193)
UDIN: 22201193AHYTJH8450

Place: Hyderabad
Date: April 28, 2022

# Annexure "A" to the Independent Auditor's Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

We have audited the internal financial controls over financial reporting of Laurus Labs Limited ("the Company") as of March 31, 2022 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control 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 its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

### Meaning of Internal Financial Controls Over Financial Reporting

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

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, based on the criteria for internal financial control over financial reporting 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 **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

**Ganesh Balakrishnan**
Partner
(Membership No. 201193)

Place: Hyderabad
Date: April 28, 2022

# Annexure “B” to the Independent Auditor’s Report

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

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

(i) (a) A. The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment, capital work-in-progress and relevant details of right-of-use assets.

B. The Company has maintained proper records showing full particulars of intangible assets.

(b) The Company has a program of verification of property, plant and equipment, capital work-in-progress and right-of-use assets so to cover all the items once in every 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain property, plant and equipment were due for physical verification during the year and were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) Based on our examination of the registered sale deed provided to us, we report that, the title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favor of the Company) disclosed in the financial statements included in property, plant and equipment, capital work-in-progress are held in the name of the Company as at the balance sheet date. Immovable properties of land whose title deeds have been pledged as security for Term loans and working capital limits are held in the name of the Company based on the confirmations directly received by us from lenders.

(d) The Company has not revalued any of its property, plant and equipment (including right of use assets) and intangible assets during the year.

(e) No proceedings have been initiated during the year or are pending against the Company as at March 31, 2022 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (as amended in 2016) and rules made thereunder.

(ii) (a) The inventories (except for goods-in-transit, which have been received subsequent to the year-end) were physically verified during the year by the Management at reasonable intervals. In our opinion and according to the information and explanations given to us, the coverage and procedure of such verification by the Management is appropriate having regard to the size of the Company and the nature of its operations. No discrepancies of 10% or more in the aggregate for each class of inventories were noticed on such physical verification of inventories when compared with books of account.

(b) According to the information and explanations given to us, the Company has been sanctioned working capital limits in excess of ₹ 5 crores, in aggregate, at points of time during the year, from banks on the basis of security of current assets. In our opinion and according to the information and explanations given to us, the quarterly returns or statements comprising stock statements, book debt statements, statements on ageing analysis of the debtors and other stipulated financial information filed by the Company with such banks are in agreement with the unaudited books of account of the Company of the respective quarters and no material discrepancies have been observed.

(iii) The Company has made investments in, provided guarantee and granted unsecured loans to companies during the year, in respect of which:

(a) The Company has made investments in, provided/ stood guarantee and granted unsecured loans during the year and details of which are given below:

(₹ in crores)

| | Investments | Loans | Guarantees |
|---|---|---|---|
| **A. Aggregate amount granted / provided during the year:** | | | |
| - Subsidiaries | 15.23 | 172.00 | 87.90 |
| - Associate | 27.60 | - | - |
| - Others | - | 0.63 | - |
| **B. Balance outstanding as at balance sheet date in respect of above cases:** | | | |
| - Subsidiaries | 34.16 | 88.22 | 140.90 |
| - Associate | 27.60 | - | - |
| - Others | - | 0.53 | - |

The Company has not provided any advances in the nature of loans or security to any other entity during the year.

(b) The investments made, guarantees provided and the terms and conditions of the grant of all the above-mentioned loans during the year are in our opinion, prima facie, not prejudicial to the Company’s interest.

(c) In respect of loans granted by the Company, the schedule of repayment of principal and payment of interest has been stipulated and the repayments of principal amounts and receipts of interest are regular as per stipulation.

(d) According to information and explanations given to us and based on the audit procedures performed, in respect of loans granted by the Company, there is no overdue amount remaining outstanding as at the balance sheet date.

(e) No loan granted by the Company which has fallen due during the year, has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to the same parties.

(f) The Company has granted Loans to its subsidiaries which are repayable on demand details of which are given below:

₹ crores

| | All parties | Related |
|---|---|---|
| Aggregate of loans repayable on demand | 88.22 | 88.22 |
| Percentage of loans to total loans | | 99.40% |

(iv) The Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of loans granted, investments made, guarantees, and securities provided, as applicable

(v) The Company has not accepted any deposit or amounts which are deemed to be deposits. Hence, reporting under clause (v) of the Order is not applicable.

(vi) The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. We have broadly reviewed the books of account maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended, prescribed by the Central Government for maintenance of cost records under Section 148(1) of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained by the Company. We have, however, 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 Goods and Service tax, Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, duty of Custom, duty of Excise, Value Added Tax, cess and other material statutory dues applicable to the Company have generally been regularly deposited by it with the appropriate authorities in all cases during the year.

There were no undisputed amounts payable in respect of Goods and Service tax, Provident Fund, Employees' State Insurance, Income-tax, and other material statutory dues in arrears as at March 31, 2022 for a period of more than six months from the date they became payable.

(b) Details of statutory dues referred to in sub-clause (a) above which have not been deposited as on March 31, 2022 on account of disputes are given below:

| Name of Statute | Nature of Dues | Amount (in ₹ crores) | Period for which the amount relates to | Forum where dispute is pending |
|---|---|---|---|---|
| Income-Tax Act, 1961 | Income Tax | 0.30^ | AY 2015-16 | Commissioner of Income Tax (Appeals) |
| AP VAT Act, 2005 | Sales Tax | 0.00^^ | 2014-2016 | Sales Tax and VAT Appellate Tribunal, Andhra Pradesh |
| Finance Act, 1994 | Service Tax | 19.56* | 2010-2015 | Customs Excise and Service Tax Appellate Tribunal |
| | | 15.23** | 2015-2017 | |
| Customs Act, 1962 | Customs Duty | 15.38# | 2012-13 | |

^Net of ₹ 0.71 crores paid under protest
^^Net of ₹ 0.36 crores paid under protest
*Net of ₹ 0.37 crores paid under protest
**Net of ₹ 0.61 crores paid under protest
#Net of ₹ 2.00 crores paid under protest

(viii) There were no transactions relating to previously unrecorded income that were surrendered or disclosed as income in the tax assessments under the Income Tax Act, 1961 (43 of 1961) during the year.

(ix) (a) In our opinion, the Company has not defaulted in the repayment of loans or other borrowings or in the payment of interest thereon to any lender during the year.

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

(c) To the best of our knowledge and belief, in our opinion, term loans availed by the Company were, applied by the Company during the year for the purposes for which the loans were obtained.

(d) On an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.

(e) On an overall examination of the financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries or associate.

(f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries or associate company.

(x) (a) The Company has not issued any of its securities (including debt instruments) during the year and hence reporting under clause (x)(a) of the Order is not applicable.

(b) During the year the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence reporting under clause (x)(b) of the order is not applicable to the Company.

(xi) (a) To the best of our knowledge, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

(b) To the best of our knowledge, no report under sub-section (12) of section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and upto the date of this report.

(c) As represented to us by the management, there were no whistle blower complaints received by the company during the year.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion, the Company is in compliance with Section 177 and 188 of the Companies Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) (a) In our opinion the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(b) We have considered, the internal audit reports issued to the Company during the year and covering the period upto March 2022.

(xv) In our opinion during the year the Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

(xvi) (a) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Hence, reporting under clause (xvi)(a), (b) and (c) of the Order is not applicable.

(d) The Group does not have any core investment company as part of the group and accordingly reporting under clause (xvi)(d) of the Order is not applicable.

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

(xviii) There has been no resignation of the statutory auditors of the Company during the year.

(xix) On the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

(xx) (a) The Company has fully spent the required amount towards Corporate Social Responsibility (CSR) and there are no unspent CSR amount for the year requiring a transfer to a Fund specified in Schedule VII to the Companies Act or special account in compliance with the provision of sub-section (6) of section 135 of the said Act. Accordingly, reporting under clause (xx) of the Order is not applicable for the year.

(b) In respect of ongoing projects, the company does not have any unspent corporate social responsibility (CSR) amount as at the end of the previous financial year and also at the end of the current financial year. Hence, reporting under this clause is not applicable for the year

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

**Ganesh Balakrishnan**
Partner
(Membership No. 201193)

Place: Hyderabad
Date: April 28, 2022

# Balance Sheet as at March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| Particulars | Notes | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 2,082.49 | 1,768.22 |
| Right-of-use assets | 40A | 93.19 | 40.94 |
| Capital work-in-progress | 3 | 755.03 | 324.17 |
| Intangible assets | 4 | 10.55 | 8.88 |
| Financial assets | | | |
| Investments | 5A | 361.72 | 318.89 |
| Other financial assets | 5C | 46.22 | 39.60 |
| Income tax assets (net) | 16A | 0.71 | 0.71 |
| Other non-current assets | 7A | 54.05 | 82.33 |
| **Total non-current assets** | | **3,403.96** | **2,583.74** |
| **Current assets** | | | |
| Inventories | 8 | 1,688.70 | 1,533.52 |
| Financial assets | | | |
| Trade receivables | 9 | 1,269.15 | 1,279.82 |
| Cash and cash equivalents | 10A | 40.33 | 38.78 |
| Other balances with banks | 10B | 0.23 | - |
| Loans | 5B | 88.75 | 44.85 |
| Other financial assets | 5C | 1.81 | 38.76 |
| Other current assets | 7B | 115.60 | 105.72 |
| **Total current assets** | | **3,204.57** | **3,041.45** |
| **Total assets** | | **6,608.53** | **5,625.19** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 11 | 107.47 | 107.32 |
| Other equity | | 3,280.74 | 2,604.92 |
| **Total equity** | | **3,388.21** | **2,712.24** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 13A | 549.67 | 382.64 |
| Lease liabilities | 40A | 29.50 | 19.87 |
| Provisions | 15A | 69.79 | 60.10 |
| Deferred tax liability (net) | 6 | 70.23 | 26.87 |
| Other non-current liabilities | 14A | 67.03 | 71.84 |
| **Total non-current liabilities** | | **786.22** | **561.32** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 13B | 1,069.99 | 1,006.88 |
| Trade payables | | | |
| - total outstanding dues of micro enterprises and small enterprises | 13C | 75.63 | 32.41 |
| - total outstanding dues of creditors other than micro enterprises and small enterprises | 13C | 773.60 | 1,126.13 |
| Lease liabilities | 40A | 3.94 | 1.87 |
| Other financial liabilities | 13D | 287.77 | 87.35 |
| Other current liabilities | 14B | 179.33 | 72.70 |
| Provisions | 15B | 15.78 | 12.27 |
| Income tax liabilities (net) | 16B | 28.06 | 12.02 |
| **Total current liabilities** | | **2,434.10** | **2,351.63** |
| **Total – equity and liabilities** | | **6,608.53** | **5,625.19** |
| Summary of significant accounting policies | 2.2 | | |

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

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

For and on behalf of the Board of Directors
**LAURUS LABS LIMITED**

**Ganesh Balakrishnan**
Partner
Membership No. 201193

Place: Hyderabad
Date: April 28, 2022

**Dr. C. Satyanarayana**
Whole Time Director & Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 28, 2022

**V. V. Ravi Kumar**
Executive Director & Chief Financial Officer
DIN: 01424180

**G. Venkateswar Reddy**
Company Secretary

# Statement of Profit and Loss for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| | Particulars | Notes | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|---|
| I. | **INCOME** | | | |
| | Revenue from operations | 17 | 4,707.04 | 4,768.72 |
| | Other income | 18 | 13.48 | 21.96 |
| | **Total income ( I )** | | **4,720.52** | **4,790.68** |
| II. | **EXPENSES** | | | |
| | Cost of materials consumed | 19 | 2,281.37 | 2,375.35 |
| | Purchase of traded goods | | 145.81 | 96.23 |
| | Changes in inventories of finished goods, work-in-progress and stock-in-trade | 20 | (218.62) | (296.45) |
| | Employee benefits expenses | 21 | 445.14 | 401.88 |
| | Other expenses | 22 | 768.14 | 681.84 |
| | **Total expenses ( II )** | | **3,421.84** | **3,258.85** |
| III. | **Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) (I-II)** | | **1,298.68** | **1,531.83** |
| | Depreciation and amortisation | 3,4 & 40A | 235.48 | 196.64 |
| | Finance income | 23A | (8.07) | (5.36) |
| | Finance costs | 23B | 95.86 | 65.92 |
| IV. | **Profit before tax** | | **975.41** | **1,274.63** |
| V. | **Tax expense** | 27 | | |
| | Current tax | | 231.42 | 334.98 |
| | Deferred tax | | (6.10) | (16.46) |
| | Income tax expense | | **225.32** | **318.52** |
| VI. | **Profit for the year (IV-V)** | | **750.09** | **956.11** |
| | **Other comprehensive income (OCI)** | 24 | | |
| | **Items that will not be reclassified subsequently to profit or loss:** | | | |
| | Remeasurement gains/(losses) on defined benefit plans | | 1.23 | (6.58) |
| | Tax on remeasurement of defined benefit plans | | (0.43) | 2.30 |
| | | | **0.80** | **(4.28)** |
| | **Items that will be reclassified subsequently to profit or loss:** | | | |
| | Fair value movements on cash flow hedges | | - | 14.44 |
| | Tax on fair value movements on cash flow hedges | | - | (5.04) |
| | | | - | **9.40** |
| | **Total other comprehensive income for the year, net of tax** | | **0.80** | **5.12** |
| | **Total comprehensive income for the year, net of tax** | | **750.89** | **961.23** |
| | | | | |
| | **Earnings per equity share ₹ 2/- each fully paid (March 31, 2021: ₹ 2/- each fully paid)** | 25 | | |
| | Computed on the basis of total profit for the year | | | |
| | **Basic (₹)** | | 13.97 | 17.85 |
| | **Diluted (₹)** | | 13.91 | 17.77 |
| | Summary of significant accounting policies | 2.2 | | |

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

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

For and on behalf of the Board of Directors
**LAURUS LABS LIMITED**

**Ganesh Balakrishnan**
Partner
Membership No. 201193

**Dr. C. Satyanarayana**
Whole Time Director & Chief Executive Officer
DIN: 00211921

**V. V. Ravi Kumar**
Executive Director & Chief Financial Officer
DIN: 01424180

Place: Hyderabad
Date: April 28, 2022

Place: Hyderabad
Date: April 28, 2022

**G. Venkateswar Reddy**
Company Secretary

# Statement of Changes in Equity for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## a) Equity share capital

| Equity shares of ₹ 10/- each, fully paid-up | No. | ₹ |
|---|---|---|
| **As at March 31, 2020** | **106,914,499** | **106.91** |
| Issued during the year – ESOP | 891,890 | 0.41 |
| Stock split * (₹ 10/- each into ₹ 2/- each) | 428,795,996 | - |
| **As at March 31, 2021** | **536,602,385** | **107.32** |
| Issued during the year – ESOP | 756,950 | 0.15 |
| **As at March 31, 2022** | **537,359,335** | **107.47** |

* The Board of Directors, at their meeting held on April 30, 2020, recommended for the sub-division of equity shares of the Company from existing face value of ₹ 10/- each to face value of ₹ 2/- each (i.e. split of 1 equity share of ₹ 10/- each into 5 equity shares of ₹ 2/- each), and the same has been approved by the shareholders in the Annual General Meeting of the Company held on July 09, 2020 and the Board of Directors, at their meeting held on July 30, 2020 fixed the "record date" of September 30, 2020. Accordingly, equity shares of the Company of ₹ 10/ has been sub-divided into 5 equity shares of ₹ 2/- each w.e.f. September 30, 2020.

## b) Other equity

| Particulars | Reserves and surplus | | | | Other comprehensive income | | Total |
|---|---|---|---|---|---|---|---|
| | Capital reserve | Securities premium | Share based payments reserve | Retained Earnings | Effective portion of cash flow hedge | Re-measurement gains or losses on employee defined benefit plans | |
| **As at March 31, 2020** | **1.79** | **685.20** | **4.63** | **1,031.88** | **(9.40)** | **(5.21)** | **1,708.89** |
| Profit for the year | - | - | - | 956.11 | - | - | 956.11 |
| Expense arising from equity-settled share-based payment transactions | - | - | 2.89 | - | - | - | 2.89 |
| Transferred from stock options outstanding | - | 9.57 | (2.62) | - | - | - | 6.95 |
| Dividend on equity shares | - | - | - | (75.04) | - | - | (75.04) |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - | - | - | 9.40 | - | 9.40 |
| Remeasurement on net defined benefit liability, net of tax | - | - | - | - | - | (4.28) | (4.28) |
| **As at March 31, 2021** | **1.79** | **694.77** | **4.90** | **1,912.95** | **-** | **(9.49)** | **2,604.92** |
| Profit for the year | - | - | - | 750.09 | - | - | 750.09 |
| Expense arising from equity-settled share-based payment transactions | - | - | 6.64 | - | - | - | 6.64 |
| Transferred from stock options outstanding | - | 6.55 | (2.40) | - | - | - | 4.15 |
| Dividend on equity shares | - | - | - | (85.86) | - | - | (85.86) |
| Remeasurement on net defined benefit liability, net of tax | - | - | - | - | - | 0.80 | 0.80 |
| **As at March 31, 2022** | **1.79** | **701.32** | **9.14** | **2,577.18** | **-** | **(8.69)** | **3,280.74** |

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

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

For and on behalf of the Board of Directors
**LAURUS LABS LIMITED**

**Ganesh Balakrishnan**
Partner
Membership No. 201193

**Dr. C. Satyanarayana**
Whole Time Director & Chief Executive Officer
DIN: 00211921

**V. V. Ravi Kumar**
Executive Director & Chief Financial Officer
DIN: 01424180

Place: Hyderabad
Date: April 28, 2022

Place: Hyderabad
Date: April 28, 2022

**G. Venkateswar Reddy**
Company Secretary

# Statement of Cash Flows for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **Profit before tax** | 975.41 | 1,274.63 |
| **Cash Flows from operating activities** | | |
| Adjustments for: | | |
| Depreciation and amortisation | 235.48 | 196.64 |
| Loss on sale of fixed assets (net) | 1.12 | 0.85 |
| Finance income | (8.07) | (5.36) |
| Interest expense | 80.30 | 56.16 |
| Share based payment expense | 6.64 | 2.89 |
| Net (gain)/loss on foreign exchange fluctuations (unrealised) | 7.34 | (13.12) |
| Provisions no longer required written back | (0.45) | - |
| Allowance for bad and doubtful advance and debts | - | 2.37 |
| **Operating profit before working capital changes** | **1,297.77** | **1,515.06** |
| **Movement in working capital:** | | |
| Increase in inventories | (155.18) | (640.05) |
| (Increase)/Decrease in trade receivables | 7.59 | (516.66) |
| Increase in financial and non-financial assets | 17.64 | (34.56) |
| Increase/(Decrease) in trade payables | (305.72) | 561.30 |
| Increase/ (Decrease) in financial, non-financial liabilities and provisions | 127.21 | 35.42 |
| **Cash generated from operations** | **989.31** | **920.51** |
| Income tax paid | (166.34) | (226.06) |
| **Net cash flows from operating activities (A)** | **822.97** | **694.45** |
| **Cash flows used in investing activities** | | |
| Purchase of property, plant and equipment, including intangible assets, capital work-in-progress and capital advances | (761.45) | (596.55) |
| Proceeds from sale of property, plant and equipment | 0.06 | 0.29 |
| Movement in other bank balances | (0.23) | 0.05 |
| Investment in associates | (27.60) | - |
| Investment in subsidiaries | (15.23) | (260.57) |
| Loan given to subsidiaries(net) | (44.00) | (44.22) |
| Interest received | 11.84 | 1.32 |
| **Net cash flows used in investing activities (B)** | **(836.61)** | **(899.68)** |
| **Net cash flows from financing activities** | | |
| Proceeds from exercise of employee stock options | 4.31 | 7.38 |
| Repayment of long-term borrowings | (155.21) | (95.12) |
| Proceeds from long-term borrowings | 389.04 | 350.00 |
| Proceeds from Short-term borrowings (net) | (12.18) | 114.57 |
| Payment of lease liabilities | (45.20) | (2.61) |
| Dividend paid | (85.86) | (75.04) |
| Interest paid | (79.71) | (56.05) |
| **Net cash flows from/(used in) financing activities (C)** | **15.19** | **243.13** |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | 1.55 | 37.90 |
| Cash and cash equivalents at the beginning of the year | 38.78 | 0.88 |
| **Cash and cash equivalents at the year end** | **40.33** | **38.78** |
| Components of cash and cash equivalents: | | |
| Cash on hand | 0.08 | 0.14 |
| Balances with banks | | |
| On current accounts | 40.25 | 38.64 |
| **Total cash and cash equivalents** | **40.33** | **38.78** |

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

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

For and on behalf of the Board of Directors
**LAURUS LABS LIMITED**

**Ganesh Balakrishnan**
Partner
Membership No. 201193

**Dr. C. Satyanarayana**
Whole Time Director & Chief Executive Officer
DIN: 00211921

**V. V. Ravi Kumar**
Executive Director & Chief Financial Officer
DIN: 01424180

Place: Hyderabad
Date: April 28, 2022

Place: Hyderabad
Date: April 28, 2022

**G. Venkateswar Reddy**
Company Secretary

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 1. Corporate information

Laurus Labs Limited (the "Company") offers a broad and integrated portfolio of Active Pharma Ingredients (API) including intermediates, Generic Finished dosage forms (FDF) and Contract Research services to cater to the needs of the global pharmaceutical industry. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at Plot no. 21, Jawaharlal Nehru Pharma City, Parawada, Vishakapatnam, Andhra Pradesh – 531 201, India. The Company is equipped with an Active Pharma Ingredients (API) manufacturing facilities situated in Jawaharlal Nehru Pharma City at Visakhapatnam, FDF drug manufacturing facility situated in Achutapuram and a Research and Development Centre in IKP Knowledge Park at Hyderabad.

These financial statements are authorised by the Board of Directors for issue in accordance with their resolution dated April 28, 2022.

## 2. Significant accounting policies

### 2.1 Basis of preparation

(a) The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ('Ind AS'), under the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period as explained in the accounting policies below, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and guidelines issued by Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

### 2.2 Summary of significant accounting policies

#### (a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated 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.

All other assets are classified as non-current.

**A liability is 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.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

#### (b) Foreign currencies

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

**Transactions and balances**

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in Statement of Profit and Loss.

#### (c) Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's chief financial officer and the financial controller of the Company determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. Any change in the fair value of each asset and liability is also compared with relevant external sources to determine whether the change is reasonable.

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

**(d) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates after taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company derives revenues primarily from manufacture and sale of Active Pharma Ingredients (API) including intermediates, Generic Finished dosage forms (FDF) and Contract Research services (together called as "Pharmaceuticals").

The following is summary of significant accounting policies relating to revenue recognition. Further, refer note no. 17 for disaggregate revenues from contracts with customers.

**Sale of products**

The Company recognises revenue for supply of goods to customers against orders received. The majority of contracts that company enters into relate to sales orders containing single performance obligations for the delivery of pharmaceutical products as per Ind AS 115. Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined based on the terms and conditions by each customer arrangement, but generally occurs on delivery to the customer. Revenue is not recognised until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

**Sale of services**

Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

**Interest income**

For all debt financial instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. Interest income is included in finance income in the Statement of Profit and Loss.

**Dividends**

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

**(e) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

Export incentives are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

**(f) Taxes**

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income ("OCI") or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

**Deferred tax**

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

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

**Dividend distribution tax**

Final Dividend on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The entity recognised 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. The Finance Act, 2020 has repealed the Dividend Distribution Tax (DDT). The Company is now required to pay/distribute dividend after deducting applicable taxes. The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates.

**(g) Property, plant and equipment**

Under the previous GAAP (Indian GAAP), property, plant and equipment and capital wok in progress were carried in the balance sheet at cost of acquisition. The Company has elected to regard those values of property, plant and equipment as deemed cost at the date of the acquisition since there is no change in the functional currency as at April 01, 2015 (date of transition to Ind AS) on the date of transition to Ind AS. The Company has also determined that cost of acquisition or construction at deemed cost as at April 01, 2015.

Capital work-in-progress, property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance or extends its estimated useful life.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | | |
|---|---|---|
| Factory buildings | : | 30 years |
| Other buildings | : | 60 years |
| Plant and equipment | : | 5 to 20 years |
| Furniture and fixtures | : | 10 years |
| Vehicles | : | 4 to 5 years |
| Computers | : | 3 to 6 years |

The Company, based on technical assessment and management estimate, depreciates certain items of plant and equipment and vehicles over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### (h) Intangible assets

#### Computer software

Costs relating to software, which is acquired, are capitalised and amortised on a straight-line basis over their estimated useful lives of five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as at April 01, 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

### (i) Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgement. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Effective April 01, 2019, the Company adopted Ind AS 116 “Leases”, applied to all lease contracts existing on April 01, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application.

#### Company as a lessee

The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

At the date of commencement of the lease, the Company recognises a Right-of-Use asset (“ROU”) and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the lease term and useful life of the underlying asset. The lease liability is initially measured at amortised cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows. Further, refer note no. 40 A, for effect of transition to Ind AS 116, classification of leases and other disclosures relating to leases.

**Company as a lessor**

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

**(j) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**(k) Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is determined on weighted average basis.

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

- Raw materials: Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work-in-progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- Stores, spares and packing materials are valued at the lower of cost and net realisable value.

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

**(l) Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

prepared separately for each of the Company's CGUs to which the individual assets are allocated.

Impairment losses, including impairment on inventories, are recognised in the statement of profit and loss. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods/years. Such reversal is recognised in the Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**(m) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Profit and Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(n) Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund by a third party.

The cost of providing benefits under the defined benefit plan is determined based on projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to Statement of Profit or Loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

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

The Company treats accumulated leaves which are to be settled after 12 months as a long-term employee benefit and accumulated leaves which are to be settled in the next 12 months as a short-term employee benefit for measurement purposes. Such accumulated leaves are provided for based on an actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

**(o) Share-based payments**

Employees of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

**Equity-settled transactions**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using Black Scholes valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

## (p) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

### Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

### Subsequent measurement

For purposes of subsequent measurement, a 'debt instrument' is measured at the amortised cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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 finance income in the profit or loss. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 9.

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

a) the rights to receive cash flows from the asset have expired, or

b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

   i. the Company has transferred substantially all the risks and rewards of the asset, or

   ii. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### 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 the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g. loans, deposits and bank balances.

b) Trade receivables that result from transactions that are within the scope of Ind AS 115.

The Company follows 'simplified approach' for recognition of impairment loss. The application of

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition.

If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Company estimates the following provision matrix at the reporting date:

| Receivables past due | % of allowance |
|---|---|
| > 1 year and < 2 years | 25% |
| > 2 years and < 3 years | 50% |
| > 3 years | 100% |

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss ('FVTPL'), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit and Loss. The Group has not designated any financial liability as at fair value through profit and loss.

#### Loans and borrowings

This is the category most relevant to the group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process."

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 as finance costs in the Statement of Profit and Loss.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

### Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the group's operations. Such changes are evident to external parties. A change in the business model occurs when the group either begins or ceases to perform an activity that is significant to its operations. If the group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**The following table shows various reclassification and how they are accounted for:**

| Original classification | Revised classification | Accounting treatment |
|---|---|---|
| Amortised cost | FVTPL | Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in Statement of Profit and Loss. |
| FVTPL | Amortised Cost | Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount. |
| Amortised cost | FVTOCI | Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification. |
| FVTOCI | Amortised cost | Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost. |
| FVTPL | FVTOCI | Fair value at reclassification date becomes its new carrying amount. No other adjustment is required. |
| FVTOCI | FVTPL | Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to Statement of Profit and Loss at the reclassification date. |

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

## (q) Investments in subsidiaries

In respect of equity investments, the entity prepares separate financial statements and account for its investments in subsidiaries at cost, net of impairment if any.

## (r) Derivative financial instruments

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under Ind-AS 109 are recognised in the Statement of Profit and Loss. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

### Hedges of highly probable forecasted transactions

The Company classifies foreign currency forward contracts as derivative instruments in a cash flow hedging relationship to hedge foreign currency risk associated with highly probable forecasted transactions.

The use of foreign currency forward contracts is governed by the Company's policies, which provide written principles on the use of such derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Foreign currency forward contract derivative instruments are remeasured at fair value at each reporting date. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in cash flow hedge account in reserves and surplus as a component of equity and reclassified to the Statement of Profit and Loss as revenue in the period corresponding to the occurrence of the forecasted transactions. Ineffective portion of such derivatives is recognised immediately in Statement of Profit and Loss.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income /(loss), remains in other comprehensive income until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/(loss) is recognised immediately in the Statement of Profit and loss.

**Hedges of recognised assets and liabilities:** Changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the statement of profit and loss. The changes in fair value of such derivative contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognised in the Statement of Profit and Loss.

**(s) Cash and cash equivalents**

Cash and cash equivalents 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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

**(t) Research and development**

Revenue expenditure on research and development is charged to the Statement of Profit and Loss in the year in which it is incurred. The Group does not generate any intangible asset internally.

**(u) Measurement of EBITDA**

The Company presents EBITDA in the Statement of Profit and Loss, which is neither specifically required by Ind AS 1 nor defined under Ind AS. Ind AS complaint Schedule III allows companies to present line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the Company's financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Indian Accounting Standards.

**(v) New standards and interpretations not yet adopted**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1, 2022, as below:

**Ind AS 103 – Reference to Conceptual Framework**

The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Company does not expect the amendment to have any significant impact in its financial statements.

**Ind AS 16 – Proceeds before intended use**

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

**Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract**

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the Company does not expect the amendment to have any significant impact in its financial statements.

**Ind AS 109 – Annual Improvements to Ind AS (2021)**

The amendment clarifies which fees an entity includes when it applies the "10 percent" test of Ind AS 109 in assessing whether to derecognise a financial liability. The Company does not expect the amendment to have any significant impact in its financial statements.

**Ind AS 116 – Annual Improvements to Ind AS (2021)**

The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration. The Company does not expect the amendment to have any significant impact in its financial statements.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 3. Property, plant and equipment

| Particulars | Freehold land | Buildings | Plant and equipment | Furniture and fixtures | Computers | Vehicles | Total Property, plant and equipment |
|---|---|---|---|---|---|---|---|
| **Gross carrying value** | | | | | | | |
| **As at March 31, 2020** | **92.17** | **683.60** | **1,420.38** | **42.79** | **17.39** | **15.67** | **2,272.00** |
| Additions | 31.80 | 52.56 | 222.34 | 3.09 | 2.50 | 6.61 | 318.90 |
| Disposals | - | - | (0.10) | - | - | (4.36) | (4.46) |
| **As at March 31, 2021** | **123.97** | **736.16** | **1,642.62** | **45.88** | **19.89** | **17.92** | **2,586.44** |
| Additions | 46.89 | 93.62 | 383.65 | 3.31 | 7.78 | 8.86 | 544.11 |
| Disposals | - | - | (0.48) | - | - | (4.98) | (5.46) |
| **As at March 31, 2022** | **170.86** | **829.78** | **2,025.79** | **49.19** | **27.67** | **21.80** | **3,125.09** |
| **Depreciation** | | | | | | | |
| **As at March 31, 2020** | **-** | **100.94** | **494.25** | **17.68** | **10.63** | **6.95** | **630.45** |
| Charge for the year | - | 30.15 | 150.25 | 3.92 | 2.96 | 3.82 | 191.10 |
| Disposals | - | - | (0.03) | - | - | (3.30) | (3.33) |
| **As at March 31, 2021** | **-** | **131.09** | **644.47** | **21.60** | **13.59** | **7.47** | **818.22** |
| Charge for the year | - | 33.60 | 182.83 | 4.00 | 3.35 | 4.88 | 228.66 |
| Disposals | - | - | (0.42) | - | - | (3.86) | (4.28) |
| **As at March 31, 2022** | **-** | **164.69** | **826.88** | **25.60** | **16.94** | **8.49** | **1,042.60** |
| **Net carrying value** | | | | | | | |
| **As at March 31, 2020** | **92.17** | **582.66** | **926.13** | **25.11** | **6.76** | **8.72** | **1,641.55** |
| **As at March 31, 2021** | **123.97** | **605.07** | **998.15** | **24.28** | **6.30** | **10.45** | **1,768.22** |
| **As at March 31, 2022** | **170.86** | **665.09** | **1,198.91** | **23.59** | **10.73** | **13.31** | **2,082.49** |

**Notes:**

### (1) Pledge on Property, plant and equipment:

Property, plant and equipment (other than vehicles) with a carrying amount of ₹ 2,069.18 (March 31, 2021: ₹ 1,757.77) are subject to a *pari passu* first charge on the Company's term loans, except to the extent of plant & machinery exclusively charged towards term loan. Further, the property, plant and equipment (other than vehicles) are subject to a *pari passu* second charge on the Company's current borrowings. Also, refer note 13A and 13B.

The title deeds of all immovable properties are held in the name of the Company. The Company has not revealed its Property, Plant and Equipment.

## 4. Intangible assets

| Particulars | Computer software purchased | Total intangible assets |
|---|---|---|
| **Gross carrying value** | | |
| **As at March 31, 2020** | **24.50** | **24.50** |
| Additions | 2.73 | 2.73 |
| **Disposals** | - | - |
| **As at March 31, 2021** | **27.23** | **27.23** |
| Additions | 5.75 | 5.75 |
| Disposals | - | - |
| **As at March 31, 2022** | **32.98** | **32.98** |
| **Amortisation** | | |
| **As at March 31, 2020** | **14.76** | **14.76** |
| Charge for the year | 3.59 | 3.59 |
| **Disposals** | - | - |
| **As at March 31, 2021** | **18.35** | **18.35** |
| Charge for the year | 4.08 | 4.08 |
| Disposals | - | - |
| As at March 31, 2022 | **22.43** | **22.43** |
| **Net carrying value** | | |
| **As at March 31, 2020** | **9.74** | **9.74** |
| **As at March 31, 2021** | **8.88** | **8.88** |
| **As at March 31, 2022** | **10.55** | **10.55** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## (2) Capital work-in-progress (CWIP) ageing schedule:

### For the year ended March 31, 2022

| Particulars | Amount in CWIP for a period of | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| Projects in progress | 672.69 | 80.76 | 1.58 | - | 755.03 |
| Projects temporarily suspended | - | - | - | - | - |

### For the year ended March 31, 2021

| Particulars | Amount in CWIP for a period of | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| Projects in progress | 321.05 | 3.12 | - | - | 324.17 |
| Projects temporarily suspended | - | - | - | - | - |

There is no CWIP whose completion is overdue or has exceeded its cost compared to its initial plan

## 5. Financial assets

### A. Investments

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Equity instruments of subsidiaries and associates | 358.31 | 315.48 |
| Others | 3.41 | 3.41 |
| **Total** | **361.72** | **318.89** |

| Unquoted investments carried at cost | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **Investments in subsidiaries** | | |
| - 9,700 Equity Shares of Laurus Generics Inc. (March 31, 2021: 6,100) of US$ 100 each fully paid-up (Note 1) | 34.16 | 18.93 |
| - 14,203,363 (March 31, 2021:14,203,363) Equity Shares of ₹10 each of Sriam Labs Private Limited | 28.19 | 28.19 |
| - 8,500 (March 31, 2021: 8,500 ) Equity Shares of GBP 100 each fully paid-up in Laurus Holding Limited | 7.79 | 7.79 |
| - 100,000 (March 31, 2021:100,000) Equity Shares of ₹10 each of Laurus Synthesis Private Limited (Note 2) | 0.10 | 0.10 |
| - 2,000 (March 31, 2021: 2,000 ) Equity Shares of ZAR 1.00 each fully paid-up in Laurus Generics SA (Pty) Limited (Note 3) | 0.03 | 0.03 |
| - 1,98,278 (March 31, 2021: 198,278 ) Equity Shares of ₹10 each fully paid-up in Laurus Bio Private Limited (Note 4) | 260.44 | 260.44 |
| **Total (a)** | **330.71** | **315.48** |
| **Investments in associates (b)** | | |
| - Immunoadoptive Cell Therapy Private Limited (Note 5) | 27.60 | - |
| **Total (a+b)** | **358.31** | **315.48** |

**Notes:**

1. During the year ended March 31, 2021, Laurus Synthesis Inc. USA (100% wholly-owned subsidiary of the Company) has been merged with Laurus Generics Inc. USA (Step-down subsidiary of the Company) with effect from September 30, 2020. For 30,000 Equity shares of USD 100/- each of Laurus Synthesis Inc., 6,100 Equity shares of USD 100/- each of Laurus Generics Inc., have been allotted based on the share exchange ratio of 1:0.2033.

2. During the year ended March 31, 2021, the Company incorporated wholly-owned subsidiary, Laurus Synthesis Private Limited (LSPL) in India.

3. During the year ended March 31, 2021, the Company acquired 100% shares of Phekolong Pharmaceuticals Pty. Ltd., (renamed as Laurus Generics SA (Pty.) Ltd.) a wholly-owned subsidiary of Pharmacare Limited t/a Aspen Pharmacare, South Africa.

4. During the year ended March 31, 2021, the Company acquired 79.21% stake in Laurus Bio Private Limited (Formerly known as Richcore Lifesciences Private Limited). As on March 31, 2022, the Company holds 76.60%.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

5. During the year ended March 31, 2022, the Company entered into an investment agreement with Immunoadoptive Cell Therapy Private Limited, (''ImmunoACT'') to acquire 26.62% stake, subject to completion of conditions precedent, for agreed consideration of ₹ 46 crore. As on March 31, 2022, the Company invested ₹ 27.60 crore representing 996 equity shares of ₹ 10/- each fully paid-up and 3,983 compulsorily convertible preference shares of ₹ 10/- each of which ₹ 5/- paid up, with a stake of 18.94%.

6. The Company has complied with number of layers prescribed under clause 87 of Section 2 of the Companies Act, 2013, read with the Companies (Restriction on number of layers) Rule, 2017.

| Unquoted investments (valued at fair value through profit and loss) | March 31, 2022 | March 31, 2021 |
|---|---|---|
| - 3,405,000 (March 31, 2021: 3,405,000) Equity Shares of ₹10 each of Atchutapuram Effluent Treatment Ltd. | 3.41 | 3.41 |
| **Total** | **3.41** | **3.41** |

## B. Loans

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Current (unsecured, considered good unless otherwise stated) | | |
| **Other loans** | | |
| - Loans to employees | 0.53 | 0.63 |
| - Loans to related party*(Refer note no. 33) | 88.22 | 44.22 |
| **Total** | **88.75** | **44.85** |

*Percentage to the total loans 99.4% (March 31, 2021: 98.6%)

## C. Other financial assets

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Non-current (unsecured, considered good unless stated otherwise) | | |
| Security deposits | 25.71 | 19.09 |
| Export and other incentives receivable * | 20.51 | 20.51 |
| **Total** | **46.22** | **39.60** |
| Current (unsecured, considered good unless stated otherwise) | | |
| Export and other incentives receivable * | - | 38.40 |
| Insurance claim receivable | - | 0.26 |
| Derivative financial instruments - asset | 1.81 | 0.10 |
| **Total** | **1.81** | **38.76** |

* Export and other incentives have been recognised on the following:

a) Incentive in the form of duty credit scrip upon sale of exports under Merchandise Exports from India Scheme under Foreign Trade Policy of India 2015-20.

b) Existing Foreign Trade Policy 2015-20, has been extended till September 30, 2022 vide notification no. 64/2015-2020 dated 31.03.2022 & Public Notice No.53/2015-2020 dated 31.03.2022

c) Sales tax incentive and reimbursement of power cost under the Andhra Pradesh state incentives IIPP 2015-20 scheme. Incentives are eligible for five years from the date of commencement of production. There are no unfulfilled conditions or contingencies attached to these incentives.

## 6. Deferred tax assets/(liability) (Net)

| Particulars | | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| Deferred tax liability | | | |
| Income tax at the applicable rate on the difference between the aggregate book written down value and tax written down value of property, plant and equipment | | (151.86) | (124.80) |
| Income tax on deferred revenue on embedded leases | | - | (17.18) |
| | (A) | **(151.86)** | **(141.98)** |
| Deferred tax asset | | | |
| MAT credit entitlement | | 33.21 | 82.25 |
| Expenses allowable on payment basis | | 30.00 | 14.71 |
| Other items giving raise to temporary differences | | 18.42 | 18.15 |
| | (B) | **81.63** | **115.11** |
| **Deferred tax assets/(liability) (Net)** | (A+B) | **(70.23)** | **(26.87)** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**For the year ended March 31, 2022:**

| Particulars | Opening balance | Recognised/Utilised during the year | Recognised in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Accelerated depreciation for tax purposes | (124.80) | (27.06) | - | (151.86) |
| Deferred revenue on embedded leases | (17.18) | 17.18 | - | - |
| Expenses allowable on payment basis | 14.71 | 15.29 | - | 30.00 |
| Other items giving rise to temporary differences | 18.16 | 0.70 | (0.43) | 18.43 |
| **Total (a)** | **(109.11)** | **6.10** | **(0.43)** | **(103.44)** |
| MAT credit entitlement/(utilisation) (b) | 82.25 | (49.04) | - | 33.21 |
| **Total (a+b)** | **(26.87)** | **(42.93)** | **(0.43)** | **(70.23)** |

**For the year ended March 31, 2021:**

| Particulars | Opening balance | Recognised/Utilised during the year | Recognised in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Accelerated depreciation for tax purposes | (120.27) | (4.53) | - | (124.80) |
| Deferred revenue on embedded leases | (22.86) | 5.68 | - | (17.18) |
| Expenses allowable on payment basis | 19.38 | (4.67) | - | 14.71 |
| Other items giving rise to temporary differences | 0.80 | 19.98 | (2.74) | 18.04 |
| Impact on account of adoption of Ind AS 116 (refer note no. 40A) | 0.12 | - | - | 0.12 |
| **Total (a)** | **(122.83)** | **16.46** | **(2.74)** | **(109.11)** |
| MAT credit entitlement/(utilisation) (b) | 192.59 | (110.34) | - | 82.25 |
| **Total (a+b)** | **69.76** | **(93.89)** | **(2.74)** | **(26.87)** |

The Company has accounted for deferred tax liabilities (net) of ₹ 70.23 (March 31, 2021: ₹ 26.87) based on approval of business plan by board, agreements entered with customers, orders on hand, successful patent filings and a portfolio of drugs.

## 7. Other assets

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **A) Non-current (unsecured, considered good unless otherwise stated)** | | |
| Capital advances | 40.05 | 68.69 |
| Advances recoverable in cash & kind | - | 1.50 |
| Prepayments | 10.65 | 10.29 |
| Balances with statutory/Government authorities | 2.00 | 2.00 |
| Taxes paid under protest | 1.35 | 1.35 |
| | **54.05** | **83.83** |
| Less: Allowance for doubtful advances | - | (1.50) |
| **Total** | **54.05** | **82.33** |
| **B) Current (unsecured, considered good unless otherwise stated)** | | |
| Advances recoverable in cash or kind | 20.61 | 16.98 |
| Loans and advances to related parties | 1.10 | 1.95 |
| Prepayments | 15.73 | 15.54 |
| Balances with statutory/Government authorities | 77.12 | 66.22 |
| Others | 1.04 | 5.03 |
| **Total** | **115.60** | **105.72** |

## 8. Inventories

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **(At lower of cost and net realisable value)** | | |
| Raw materials [including port stock and stock-in-transit ₹ 113.57 (March 31, 2021: ₹193.39)] | 547.35 | 614.58 |
| Work-in-progress | 594.65 | 443.41 |
| Finished goods | 491.62 | 424.24 |
| Stores, spares and packing materials | 55.08 | 51.29 |
| **Total** | **1,688.70** | **1,533.52** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 9. Trade receivables

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **Unsecured** | | |
| Considered good | 1,246.60 | 1,259.93 |
| Receivable from related parties (Refer note no. 33) | 22.55 | 19.89 |
| Credit impaired | 0.30 | 0.35 |
| | **1,269.45** | **1,280.17** |
| Less: Allowance for doubtful debts | (0.30) | (0.35) |
| **Total** | **1,269.15** | **1,279.82** |

a) No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.

b) Trade receivables are non-interest bearing and are generally on terms of 30 –120 days.

c) Of the trade receivables balance, ₹ 481.99 in aggregate (as at March 31, 2021 ₹ 698.65) is due from the Company's customers individually representing more than 5% of the total trade receivables balance.

d) The Company has used practical expedient by computing the expected credit loss allowance for doubtful trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking estimates. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates used in the provision matrix. In calculating expected credit loss, the Company has also considered credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

e) Trade receivables is net of bills discounted without recourse amounting to ₹ 78.22 (as at March 31, 2021 ₹ 234.36)

### Movement in the expected credit loss allowance

| | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Balance at the beginning of the year | 0.35 | 1.37 |
| Movement in expected credit loss allowance on trade receivables | (0.05) | (1.02) |
| **Balance at the end of the year** | **0.30** | **0.35** |

### Trade Receivables ageing schedule for the year ended March 31, 2022:

| Particulars | Not Due | Outstanding from due date of payment | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 6 months | 6 months - 1 year | 1- 2 years | 2-3 years | More than 3 years | |
| i) Undisputed Trade receivables - considered good | 956.36 | 306.03 | 6.05 | 0.71 | - | - | 1,269.15 |
| ii) Undisputed Trade receivables - which have significant increase in credit risk | - | - | - | | - | - | - |
| iii) Undisputed Trade receivables - credit impaired | - | - | - | 0.30 | - | - | 0.30 |
| iv) Disputed Trade receivables | - | - | - | - | - | - | - |
| **Total** | **956.36** | **306.03** | **6.05** | **1.01** | **-** | **-** | **1,269.45** |

### Trade Receivables ageing schedule for the year ended March 31, 2021:

| Particulars | Not Due | Outstanding from due date of payment | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 6 months | 6 months - 1 year | 1- 2 years | 2-3 years | More than 3 years | |
| i) Undisputed Trade receivables - considered good | 782.43 | 472.06 | 23.90 | 1.43 | - | - | 1,279.82 |
| ii) Undisputed Trade receivables - which have significant increase in credit risk | - | - | - | - | - | - | - |
| iii) Undisputed Trade receivables - credit impaired | - | - | - | 0.35 | - | - | 0.35 |
| iv) Disputed Trade receivables | - | - | - | - | - | - | - |
| **Total** | **782.43** | **472.06** | **23.90** | **1.78** | **-** | **-** | **1,280.17** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 10. Cash and cash equivalents and other bank balances

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **A) Cash and cash equivalents** | | |
| Balances with banks | | |
| - On current accounts | 40.25 | 38.64 |
| Cash on hand | 0.08 | 0.14 |
| **Total** | **40.33** | **38.78** |
| **B) Other balances with banks** | | |
| On deposit accounts | | |
| - Unclaimed dividend accounts | 0.23 | - |
| **Total** | **0.23** | **-** |

## 11. Equity share capital

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **Authorised** | | |
| 555,000,000* (March 31, 2021: 555,000,000) Equity shares of ₹2/- each | 111.00 | 111.00 |
| **Total** | **111.00** | **111.00** |
| Issued, Subscribed and Paid-up | | |
| 537,359,335* (March 31, 2021: 536,602,385) Equity shares of ₹2/- each | 107.47 | 107.32 |
| **Total** | **107.47** | **107.32** |

* The Board of Directors, at their meeting held on April 30, 2020, recommended for the sub-division of equity shares of the Company from existing face value of ₹ 10/- each to face value of ₹ 2/- each (i.e. split of 1 equity share of ₹ 10/- each into 5 equity shares of ₹ 2/- each), and the same has been approved by the shareholders in the Annual General Meeting of the Company held on July 09, 2020 and the Board of Directors, at their meeting held on July 30, 2020 fixed the "record date" of September 30, 2020. Accordingly, equity shares of the Company of ₹ 10/ has been sub-divided into 5 equity shares of ₹ 2/- each w.e.f. September 30, 2020.

### 11.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

| Equity Shares of ₹2/- each, fully paid-up | For the year ended March 31, 2022 | | For the year ended March 31, 2021 | |
|---|---|---|---|---|
| | No. | ₹ | No. | ₹ |
| Balance as per last financial statements (₹2/- each) | 53,66,02,385 | 107.32 | 10,69,14,499 | 106.91 |
| Issued during the year – ESOP (₹2/- each) | 7,56,950 | 0.15 | 8,91,890 | 0.41 |
| Stock split (₹10/- each into ₹ 2/- each) | - | - | 42,87,95,996 | - |
| **Outstanding at the end of the year** | **53,73,59,335** | **107.47** | **53,66,02,385** | **107.32** |

### 11.2 Rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- per share. Each holder of equity shares is entitled to one vote per share at the general meetings of the Company. For liquidation terms refer note 11.2a.

The Company declares and pays dividends in Indian rupees. The final dividend, if any, proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2022, the amount of dividend (first interim dividend ₹0.80 and second interim dividend ₹1.20) per share declared as distribution to equity shareholders was ₹ 2.00 (March 31, 2021: first interim dividend ₹0.80, second interim dividend ₹0.40 and third interim dividend of ₹0.80).

#### 11.2a. Liquidation terms and preferential rights

The liquidation terms of the equity shares are as follows:

(a) If the Company shall be wound up, the Liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act divide amongst the shareholders, in specie or kind the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

(b) For the purpose aforesaid, the Liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

### 11.3 Details of shareholders holding more than 5% shares of the Company:

| Particulars | March 31, 2022 | | March 31, 2021 | |
|---|---|---|---|---|
| | % Holding | No. | % Holding | No. |
| Equity shares of ₹ 2/- each held by | | | | |
| M/s. NSN Holdings represented by Dr. C. Satyanarayana | 23.10 % | 124,126,740 | - | - |
| Dr. C. Satyanarayana | - | - | 16.58 % | 88,994,020 |
| Mrs. C. Naga Rani | - | - | 6.55 % | 35,132,720 |
| Amansa Holdings Private Limited | 4.05 % | 21,738,548 | 5.04 % | 27,067,626 |

### 11.4 Details of shares held by the promoters of the Company:

**Equity Shares held by promoters as at March 31, 2022 and March 31, 2021**

| Prmoter Name | March 31, 2022 | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | No. of shares | % of total shares | % Change during the year | No. of shares | % of total shares | % Change during the year |
| Dr. C. Satyanarayana* | - | - | (100.00) % | 88,994,020 | 16.58 % | (5.52) % |
| Mrs. C. Naga Rani* | - | - | (100.00) % | 35,132,720 | 6.55 % | (4.87) % |
| Mr. V. V. Ravi Kumar | 7,705,000 | 1.43 % | (4.94) % | 8,105,000 | 1.51 % | - |
| Dr. C. V. Lakshmana Rao | 13,450,145 | 2.50 % | (2.89) % | 13,850,145 | 2.58 % | 6.54 % |
| Mr. C. Narasimha Rao | 119,675 | 0.02 % | - | 119,675 | 0.02 % | 49.36 % |
| Mr. C. Chandrakanth | 42,000 | 0.01 % | - | 42,000 | 0.01 % | 100.00 % |
| Mrs. V. Krishnaveni | 201,397 | 0.04 % | - | 201,397 | 0.04 % | 0.70 % |
| Mr. C. Sekhar Babu | 100,000 | 0.02 % | - | 100,000 | 0.02 % | - |
| Mrs. V. Hymavathi | 225,000 | 0.04 % | - | 225,000 | 0.04 % | - |
| Mrs. C. Soumya | 10,440 | 0.00 % | - | 10,440 | 0.00 % | 74.00 % |
| Mr. C. Krishna Chaitanya | 20,699 | 0.00 % | - | 20,699 | 0.00 % | 100.00 % |
| Mrs. T. Nagamani | 100,000 | 0.02 % | - | 100,000 | 0.02 % | - |
| Mrs. K. Kamala | 100,000 | 0.02 % | - | 100,000 | 0.02 % | - |
| Mr. S. Narasimha Rao | 147,500 | 0.03 % | - | 147,500 | 0.03 % | - |
| Mrs. S. Rama | 170,000 | 0.03 % | - | 170,000 | 0.03 % | (15.00) % |
| M/s. NSN Holdings (Represented By Dr. C. Satyanarayana)* | 124,126,740 | 23.10 % | 100.00 % | - | - | - |

* Dr. C. Satyanarayana and Mrs. C Nagarani, Promoters of the Company have Consolidated their entire shareholding by way of inter-se transfer to Partnership Firm (M/s. NSN Holdings) on November 15, 2021

### 11.5 Details of shares reserved for issue under options

For details of shares reserved for issue under Employee Stock Options Scheme plan of the Company, refer note no. 29.

### 11.6 Aggregate number of bonus shares issued, shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

| Particulars | March 31, 2022 | March 31, 2021 | March 31, 2020 | March 31, 2019 | March 31, 2018 |
|---|---|---|---|---|---|
| No. of equity shares allotted as fully paid bonus shares by capitalisation of securities premium | - | - | - | - | - |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 12. Dividends paid and proposed

| Cash dividends on equity shares declared and paid: | 2021-22 | | 2020-21 | |
|---|---|---|---|---|
| | Dividend per equity share | Amount | Dividend per equity share | Amount |
| Final dividend for the financial year 2019-20: ₹ 1.00 (face value of ₹10/- each) | - | - | 1.00 | 10.69 |
| First interim dividend for the financial year 2020-21 (face value of ₹2/- each) | - | - | 0.80 | 42.88 |
| Second interim dividend for the financial year 2020-21 (face value of ₹2/- each) | - | - | 0.40 | 21.47 |
| Third interim dividend for the financial year 2020-21 (face value of ₹2/- each) | 0.80 | 42.93 | - | - |
| First interim dividend for the financial year 2021-22 (face value of ₹2/- each) | 0.80 | 42.93 | - | - |
| **Total** | | **85.86** | | **75.04** |
| **Proposed dividends on equity shares:** | | | | |
| Third interim dividend for the financial year 2020-21 (face value of ₹2/- each) | - | - | 0.80 | 42.93 |
| Second interim dividend for the financial year 2021-22* (face value of ₹2/- each) | 1.20 | 64.48 | - | - |
| **Total** | | **64.48** | | **42.93** |

*The Board of Directors of the Company in their meeting held on April 28, 2022 have approved for payment of second interim dividend and the Company has fixed May 11, 2022 as "Record Date" for determining the eligibility of the Shareholders. Accordingly, the Company has not recognised the said proposed dividend as a liability as at March 31, 2022.

## 13. Financial liabilities

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **A) Non-current borrowings** | | |
| **Term loans** | | |
| Indian rupee loans from banks (Secured) | 236.04 | 234.63 |
| Foreign currency loans from banks (Secured) | 313.63 | 147.60 |
| **Other loans** | | |
| Vehicle loans from banks (Secured) | - | 0.41 |
| **Total** | **549.67** | **382.64** |
| **Current maturities of non-current borrowings** | | |
| **Term loans** | | |
| Indian rupee loans from banks (Secured) | 90.83 | 72.55 |
| Foreign currency loans from banks (Secured) | 113.89 | 56.89 |
| **Other loans** | | |
| Vehicle loans from banks (Secured) | - | 0.54 |
| | **204.72** | **129.98** |
| Less: Amount disclosed under the head "current borrowings" | (204.72) | (129.98) |
| **Total** | - | - |
| **B) Current borrowings** | | |
| **Cash credits and working capital demand loans** | | |
| Indian rupee loans from banks (Secured) | 236.79 | 589.00 |
| Indian rupee loans from banks (Unsecured) | 319.75 | 89.09 |
| Foreign currency loans from banks (Secured) | 253.07 | 22.05 |
| Buyers credit from banks (Secured) | 16.70 | 132.93 |
| Buyers credit from banks (Unsecured) | 38.96 | 43.83 |
| Current maturities of non-current borrowings | 204.72 | 129.98 |
| **Total** | **1,069.99** | **1,006.88** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

### (a) The details of Indian rupee term loans from banks are as under:

| Name of the Bank | Outstanding as on March 31, 2022 | Outstanding as on March 31, 2021 | Sanction Amount | No. of Instalments | Commencement of instalments | Effective interest rate |
|---|---|---|---|---|---|---|
| State Bank of India (SBI) # | - | 98.85 | 100.00 | 18 quarterly instalments of ₹5.55 | December 2021 | (March 31, 2021: 6M MCLR + 0.10%) |
| HDFC Bank (HDFC) | 6.67 | 33.33 | 100.00 | 15 quarterly instalments of ₹6.67 | November 2018 | At MCLR (March 31, 2021: At MCLR) |
| The Hongkong & Shanghai Banking Corporation (HSBC) | 121.87 | 150.00 | 150.00 | 16 quarterly instalments of ₹9.375 | July 2021 | T Bill + 0.29% (March 31, 2021: T Bill + 0.29%) |
| CITI Bank (CITI) | 18.33 | 25.00 | 40.00 | 24 quarterly instalments of ₹1.67 | January 2019 | T Bill + 0.28% (March 31, 2021: T Bill + 0.28%) |
| HDFC Bank (HDFC) | 180.00 | - | 200.00 | 20 quarterly instalments of ₹10.00 | December 2021 | 3M Repo + 1.25% |

### (b) Foreign Currency loans from banks comprise of Foreign Currency Non-Resident Term Loan (FCNR TL) and ECB loan:

| Name of the Bank & Nature of Loan | Outstanding as on March 31, 2022 | Outstanding as on March 31, 2021 | Sanction Amount | No. of Instalments | Commencement of instalments | Effective interest rate |
|---|---|---|---|---|---|---|
| State Bank of India (SBI) – FCNR TL | 90.05 | 101.44 | US$ 13.80 Mn | 18 quarterly instalments of ₹5.55 | December 2021 | SOFR plus 1.50% p.a. (March 31, 2021: LIBOR plus 2% p.a.) |
| State Bank of India (SBI) – FCNR TL# | 89.06 | - | US$ 13.25 Mn | 18 quarterly instalments of ₹5.55 | December 2021 | LIBOR plus 1.6% p.a. |
| The Hongkong & Shanghai Banking Corporation (HSBC), Singapore | 59.06 | 103.06 | US$ 25 Mn | 16 quarterly instalments | July 2019 | LIBOR plus 0.76% p.a. (March 31, 2021: LIBOR plus 0.76% p.a.) |
| State Bank of India (SBI) – New York | 189.35 | - | US$ 25 Mn | 17 quarterly instalments | November 2022 | LIBOR plus 0.97% p.a. |

# During the year ended March, 31, 2022, Indian Rupee term loan availed from SBI has been converted to FCNR TL.

(c) All term loans (except HDFC term loan outstanding of ₹6.67, which is secured by *pari passu* charge on moveable property, plant and equipment by way of hypothecation and immovable property, plant and equipment by way of mortgage) are secured by *pari passu* first charge on the property, plant and equipment (both present and future) except to the extent of assets exclusively charged to banks. They are further secured by *pari passu* second charge on current assets (both present and future).

(d) Vehicle loans were prepaid in during the year (March 31, 2021: Vehicle loans from banks are repayable in instalments ranging from 36 to 48 months from the date of the loan and secured by hypothecation of the respective vehicles)

(e) Current borrowings are availed in both Rupee and Foreign currencies. Interest on rupee loans ranges from T-Bill to MCLR plus 0.50% (March 31, 2021: MCLR plus 0% to 0.50%). Buyers credit loan interest ranges from LIBOR plus 0.08% to SOFR plus 0.55% (March 31, 2021: LIBOR plus 0.08% to 2.00%). The secured current borrowings are backed by *pari passu* first charge on current assets and *pari passu* second charge on the fixed assets (both present and future). [March 31, 2021: Secured Current borrowings are backed by *pari passu* first charge on current assets and *pari passu* second charge on the fixed assets (both present and future)].

(f) The Company has used the borrowings for the purposes for which it was taken.

(g) The quarterly returns of current assets filed by the Company with banks are in agreement with books of account.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## C) Trade payables

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Valued at amortised cost | | |
| - Total outstanding dues to creditors other than micro enterprises and small enterprises | 747.71 | 1,091.27 |
| - Outstanding dues to related parties (refer note no. 33) | 25.89 | 34.86 |
| **Total** | **773.60** | **1,126.13** |
| - Total outstanding dues to micro enterprises and small enterprises (refer note no. 30) | 75.63 | 32.41 |
| **Total** | **75.63** | **32.41** |

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 30-120 day terms.

For explanations on the Company's credit risk management processes, refer note no. 38.

### Trade Payables ageing schedule for the year ended March 31, 2022

| Particulars | Not due | Outstanding from due date of payment | | | | Total |
|---|---|---|---|---|---|---|
| | | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | |
| i) MSME | 75.63 | - | - | - | - | 75.63 |
| ii) Others | 611.59 | 156.55 | - | - | 5.46 | 773.60 |
| iii) Disputed dues - MSME & others | - | - | - | - | - | - |
| **Total** | **687.22** | **156.55** | **-** | **-** | **5.46** | **849.23** |

### Trade Payables ageing schedule for the year ended March 31, 2021

| Particulars | Not due | Outstanding from due date of payment | | | | Total |
|---|---|---|---|---|---|---|
| | | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | |
| i) MSME | 32.41 | - | - | - | - | 32.41 |
| ii) Others | 847.70 | 270.91 | 1.67 | 0.00 | 5.84 | 1,126.13 |
| iii) Disputed dues - MSME & others | - | - | - | - | - | - |
| **Total** | **880.11** | **270.91** | **1.67** | **0.00** | **5.84** | **1,158.54** |

## D) Other financial liabilities

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Capital creditors | 284.59 | 84.76 |
| Interest accrued * | 3.18 | 2.59 |
| **Total** | **287.77** | **87.35** |

* Interest accrued but not due is normally settled monthly/quarterly throughout the financial year.

## 14. Other non-current and current liabilities

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| A) Non-current | | |
| Advances from customers | 67.03 | 71.84 |
| | **67.03** | **71.84** |
| B) Current | | |
| Advances from customers | 165.75 | 61.46 |
| Unclaimed dividend | 0.23 | 0.14 |
| Statutory dues | 13.35 | 11.10 |
| **Total** | **179.33** | **72.70** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 15. Provisions

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **A) Non-current provisions** | | |
| Provision for gratuity | 43.24 | 37.20 |
| Provision for compensated absences | 26.55 | 22.90 |
| **Total** | **69.79** | **60.10** |
| **B) Current provisions** | | |
| Provision for gratuity | 5.97 | 4.41 |
| Provision for compensated absences | 9.81 | 7.86 |
| **Total** | **15.78** | **12.27** |

## 16. Income tax assets/liabilities

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **A) Income tax assets** | | |
| Tax paid under protest | 0.71 | 0.71 |
| **Total** | **0.71** | **0.71** |
| **B) Income tax liabilities** | | |
| Provision for taxes (net) [net of advance tax ₹ 465.47 (March 31, 2021: ₹ 344.63)] | 28.06 | 12.02 |
| **Total** | **28.06** | **12.02** |

## 17. Revenue from operations

| Particulars | | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|
| **Revenue from operations** | | | |
| **Sale of products** | | | |
| Income from sale of API, Intermediates and Formulations | | 4,370.17 | 4,482.15 |
| Income from sale of traded goods | | 156.11 | 86.98 |
| | (A) | **4,526.28** | **4,569.13** |
| **Sale of services** | | | |
| Contract research services | | 132.74 | 123.10 |
| | (B) | **132.74** | **123.10** |
| **Other operating revenue** | | | |
| Sale of scrap | | 7.33 | 5.14 |
| Export and other incentives * | | - | 32.05 |
| Others | | 40.69 | 39.30 |
| | (C) | **48.02** | **76.49** |
| **Revenue from operations** | (A+B+C) | **4,707.04** | **4,768.72** |

* Export and other incentives have been recognised on the following:

a) Incentive in the form of duty credit scrip upon sale of exports under Merchandise Exports from India Scheme under Foreign Trade Policy of India 2015-20.

b) Existing Foreign Trade Policy 2015-20, has been extended till September 30, 2022 vide notification no. 64/2015-2020 dated 31.03.2022 & Public Notice No. 53/2015-2020 dated 31.03.2022

## 18. Other income

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Net gain on foreign exchange fluctuations | 10.60 | 17.78 |
| Bad debts recovered | 1.77 | - |
| Provision no longer required written back | 0.45 | - |
| Lease rental income | 0.65 | 3.89 |
| Miscellaneous income | 0.01 | 0.29 |
| **Total** | **13.48** | **21.96** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 19. Cost of materials consumed

| Particulars | | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|
| **Raw materials consumed** | | | |
| Opening stock at the beginning of the year | | 614.58 | 288.45 |
| Add: Purchases | | 2,154.32 | 2,650.92 |
| | | **2,768.90** | **2,939.37** |
| Less: Closing stock at the end of the year | | 547.35 | 614.58 |
| | ( A) | **2,221.55** | **2,324.79** |
| Packing materials consumed | (B) | 59.82 | 50.56 |
| **Total** | **(A+B)** | **2,281.37** | **2,375.35** |

## 20. Changes in inventories of finished goods, work-in-progress and stock-in-trade

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **Opening stock of inventories** | | |
| Finished goods of API, Intermediates and Formulations | 424.24 | 283.67 |
| Work-in-progress of API, Intermediates and Formulations | 443.41 | 287.53 |
| | **867.65** | **571.20** |
| **Closing stock of inventories** | | |
| Finished goods of API, Intermediates and Formulations | 491.62 | 424.24 |
| Work-in-Progress of API, Intermediates and Formulations | 594.65 | 443.41 |
| | **1,086.27** | **867.65** |
| **(Increase)/Decrease in inventories of finished goods and work-in-progress** | **(218.62)** | **(296.45)** |
| (Increase)/Decrease in finished goods of API, Intermediates and Formulations | (67.38) | (140.57) |
| (Increase)/Decrease in Work-in-Progress of API, Intermediates and Formulations | (151.24) | (155.88) |
| **(Increase)/Decrease in inventories of finished goods and work-in-progress** | **(218.62)** | **(296.45)** |

## 21. Employee benefits expenses

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Salaries, allowances and wages | 323.86 | 286.94 |
| Contribution to provident fund and other funds | 21.09 | 17.67 |
| Gratuity expense | 10.08 | 8.29 |
| Share based payment expense | 6.64 | 2.89 |
| Managerial remuneration | 27.57 | 37.05 |
| Recruitment and training | 0.57 | 0.74 |
| Staff welfare expenses | 55.33 | 48.30 |
| **Total** | **445.14** | **401.88** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 22. Other expenses

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Consumption of stores and spares | 43.90 | 34.93 |
| Conversion charges | 48.63 | 67.54 |
| Factory maintenance | 135.14 | 105.62 |
| Effluent treatment expenses | 44.94 | 52.07 |
| Power and fuel | 188.52 | 149.69 |
| Repairs and maintenance | | |
| Plant and machinery | 41.64 | 30.94 |
| Buildings | 5.97 | 2.42 |
| Others | 3.16 | 2.12 |
| Product development | 29.39 | 30.40 |
| Testing and analysis charges | 0.82 | 0.67 |
| Rent | 1.33 | 1.13 |
| Rates and taxes | 30.89 | 34.21 |
| Office maintenance | 2.96 | 2.48 |
| Insurance | 22.45 | 17.17 |
| Printing and stationery | 2.24 | 2.26 |
| Consultancy and other professional charges | 25.92 | 23.34 |
| Membership and subscription | 7.37 | 6.14 |
| Remuneration to auditors | | |
| - Audit fee | 0.50 | 0.50 |
| - Tax audit fee | 0.05 | 0.05 |
| - Limited review | 0.33 | 0.33 |
| - Other services | 0.10 | 0.09 |
| - Out of pocket expenses | 0.04 | 0.03 |
| Travelling and conveyance | 2.59 | 1.13 |
| Communication expenses | 2.08 | 1.47 |
| Loss on sale of property, plant and equipment (net) | 1.12 | 0.85 |
| Allowance for bad and doubtful advance and debts | - | 2.37 |
| Carriage outwards | 35.42 | 37.47 |
| Commission on sales | 50.91 | 47.38 |
| Other selling expenses | 3.18 | 1.63 |
| Business promotion and advertisement | 22.34 | 18.15 |
| CSR expenditure (refer note no. 26) | 11.50 | 5.73 |
| Donations | 2.58 | 1.43 |
| Miscellaneous expenses | 0.13 | 0.10 |
| **Total** | **768.14** | **681.84** |

## 23A. Finance Income

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **Interest income on** | | |
| Intercorporate loan | 7.38 | 4.04 |
| Electricity deposits and others | 0.69 | 1.32 |
| **Total** | **8.07** | **5.36** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 23B. Finance costs

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **Interest** | | |
| - on term loans | 23.11 | 15.15 |
| - on working capital loans | 41.02 | 36.52 |
| - on others | 5.74 | 2.71 |
| Total interest expense | **69.87** | **54.38** |
| Bank charges | 15.56 | 9.76 |
| Exchange differences to the extent considered as an adjustment to finance costs | 10.43 | 1.78 |
| **Total** | **95.86** | **65.92** |

## 24. Components of other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Remeasurement gains/(losses) on defined benefit plans | 1.23 | (6.58) |
| Deferred tax on remeasurement of defined benefit plans | (0.43) | 2.30 |
| Fair value movements on cash flow hedges | - | 14.44 |
| Deferred tax on fair value movements on cash flow hedges | - | (5.04) |
| **Total** | **0.80** | **5.12** |

## 25. Earnings per share (EPS)

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **The following reflects the profit and share data used in the basic and diluted EPS computations:** | | |
| Profit available for equity shareholders | 750.09 | 956.11 |
| Weighted average number of equity shares in computing basic EPS | 536,813,916 | 535,748,294 |
| Add: Effect of dilution | | |
| Stock options granted under ESOP | 2,355,941 | 2,376,365 |
| Weighted Average number of Equity Shares in computing diluted earnings per share | 539,169,857 | 538,124,658 |
| Face value of each equity share (₹) | 2.00 | 2.00 |
| Earnings per share | | |
| - Basic (₹) | 13.97 | 17.85 |
| - Diluted (₹) | 13.91 | 17.77 |

## 26. Details of CSR expenditure

As per the requirement of the Companies Act, 2013, gross amount required to be spent by the Company during the year is ₹11.34 (March 31, 2021 : ₹ 4.44). The nature of CSR activities undertaken by the company includes promoting education, health care and environmental sustainability. The details of CSR expenditure is given below.

| CSR Activities | For the year ended March 31, 2022 | | |
|---|---|---|---|
| | In cash | Yet to be paid in cash | Total |
| (i) Construction/acquisition of any asset | - | - | - |
| | **(-)** | **(-)** | **(-)** |
| (ii) On purposes other than (i) above | 11.50 | - | 11.50 |
| | **(5.73)** | **(-)** | **(5.73)** |

Amounts in bracket indicate previous year numbers. There is no shortfall at the end of March 31,2022 and March 31, 2021 in terms of amount required to be spent by the company. The above includes contribution made to Laurus Charitable Trust amounting to ₹ 1.38 (March 31, 2021: ₹ 0.48).

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 27. Taxes

### (a) Income tax expense:

The major components of income tax expenses for the year ended March 31, 2022 and for the year ended March 31, 2021 are:

#### (i) Statement of Profit and Loss

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Current tax | 231.42 | 334.98 |
| Deferred tax credit * | (6.10) | (16.46) |
| **Total income tax expense recognised in Statement of Profit and Loss** | **225.32** | **318.52** |

* Including Mat credit entitlement/(utilisation) of ₹(49.04) crore (March 31, 2021: ₹(110.34) crore)

#### (ii) Other comprehensive income (OCI)

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Tax on remeasurement of defined benefit plans | (0.43) | 2.30 |
| Tax on fair value movements on cash flow hedges | - | (5.04) |
| **Total tax recognised in OCI** | **(0.43)** | **(2.74)** |

### (b) Reconciliation of effective tax rate:

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Profit before tax (A) | 975.41 | 1,274.63 |
| Enacted tax rate in India (B) | 34.944 % | 34.944 % |
| Expected tax expenses (C = A*B) | 340.85 | 445.41 |
| **Permanent Difference** | | |
| Expenses disallowed under Income Tax Act, 1961 | 9.36 | 8.86 |
| Income exempt from income taxes under Section 10 AA | (339.11) | (363.59) |
| Others | (0.87) | (8.38) |
| **Total (D)** | **(330.62)** | **(363.11)** |
| Profit after adjusting permanent difference | 644.79 | 911.52 |
| Expected tax expense | 225.32 | 318.52 |
| Total Tax expense | 225.32 | 318.52 |
| Effective Tax rate | 23.10 % | 24.99 % |

### (c) The details of component of deferred tax assets are given under note 6.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 28. Gratuity

### Defined benefit plans

The Company has a defined benefit gratuity plan and governed by Payment of Gratuity Act, 1972. Every employee who has completed five years or more of service is entitled to a gratuity on departure at 15 days salary for each completed year of service. The scheme is funded through a policy with SBI Life Insurance Company Limited. The following tables summarise net benefit expenses recognised in the Statement of Profit and Loss, the status of funding and the amount recognised in the Balance sheet for the gratuity plan:

| | Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| A) | Net employee benefit expense (recognised in Employee benefits expenses) | | |
| | Current service cost | 7.26 | 6.38 |
| | Interest cost | 2.90 | 1.92 |
| | Expected return on plan assets | (0.08) | (0.01) |
| | **Net employee benefit expenses** | **10.08** | **8.29** |
| | Actual return on plan asset | (0.03) | (0.01) |
| B) | Amount recognised in the Balance Sheet | | |
| | Defined benefit obligation | 50.34 | 42.53 |
| | Fair value of plan assets | 1.13 | 0.92 |
| | | **49.21** | **41.61** |
| C) | Changes in the present value of the defined benefit obligation | | |
| | **Opening defined benefit obligation** | 42.53 | 28.94 |
| | Current service cost | 7.26 | 6.38 |
| | Interest cost | 2.90 | 1.92 |
| | Benefits paid | (1.12) | (1.29) |
| | Net actuarial (gains)/losses on obligation for the year recognised under OCI | (1.23) | 6.58 |
| | **Closing defined benefit obligation** | **50.34** | **42.53** |
| D) | Change in the fair value of plan assets | | |
| | **Opening fair value of plan assets** | 0.92 | 0.21 |
| | Actual return on plan assets | 0.03 | 0.01 |
| | Contributions | 1.30 | 1.99 |
| | Benefits paid | (1.12) | (1.29) |
| | **Closing fair value of plan assets** | **1.13** | **0.92** |

The Company expects to contribute ₹5.97 to the gratuity fund in the next year (March 31, 2021: ₹3.87) against the short-term liability of ₹5.97 (March 31, 2021: ₹3.87) as per the actuarial valuation.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Investments with SBI Life Insurance Company Limited | 100.00 % | 100.00 % |

**E) Remeasurement adjustments:**

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Financial loss/(gain) on plan assets | 1.23 | (6.58) |
| **Remeasurement gains/(losses) recognised in other comprehensive income:** | **1.23** | **(6.58)** |

(i) The principal assumptions used in determining gratuity for the Company's plans are shown below:

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Discount rate | 7.35 % | 6.90 % |
| Expected rate of return on assets | 7.35 % | 6.90 % |
| Salary rise | 11.00 % | 11.00 % |
| Attrition rate | 14.00 % | 13.00 % |

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

The overall expected rate of return on assets is determined based on the actual rate of return during the current year.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

(ii) Disclosure related to indication of effect of the defined benefit plan on the entity's future cash flows:

Expected benefit payments for the year ending:

| Year ending | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Year 1 | 5.97 | 4.41 |
| Year 2 | 5.57 | 4.21 |
| Year 3 | 5.54 | 4.27 |
| Year 4 | 5.68 | 4.29 |
| Year 5 | 5.40 | 4.36 |
| Beyond 5 years | 21.06 | 20.08 |

The average duration of the defined benefit plan obligation at the end of the reporting period is 26.01 years (March 31, 2021: 26.04 years).

(iii) Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption is as shown below:

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| (a) Effect of 1% change in assumed discount rate on defined benefit obligation | | |
| - 1% increase | (3.11) | (2.85) |
| - 1% decrease | 3.43 | 3.25 |
| (b) Effect of 1% change in assumed salary escalation rate on defined benefit obligation | | |
| - 1% increase | 3.07 | 2.88 |
| - 1% decrease | (2.96) | (2.69) |
| (c) Effect of 1% change in assumed attrition rate on defined benefit obligation | | |
| - 1% increase | (0.59) | (0.61) |
| - 1% decrease | 0.58 | 0.68 |

(iv) Defined contribution plan

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Contribution to Provident Fund | 19.20 | 16.00 |
| Contribution to Superannuation Fund | 2.05 | 1.81 |

## 29. Share based payments

### ESOP 2011 Scheme

The board of directors/compensation committee has approved the Laurus Employees Stock Option Scheme(ESOP) 2011 for issue of stock options to eligible employees of the Company effective from September 19, 2011. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

### ESOP 2016 Scheme

The board of directors/compensation committee has approved the Laurus Employees Stock Option Scheme (ESOP) 2016 for issue of stock options to eligible employees of the Company effective from June 09, 2016. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

### ESOP 2018 Scheme

The board of directors/compensation committee has approved the Laurus Employees Stock Option Scheme (ESOP) 2018 for issue of stock options to eligible employees of the Company. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## Exercise period

| Scheme | Grant | Number of options | Year 1 | Year 2 | Year 3 |
|---|---|---|---|---|---|
| | | | 25% | 25% | 50% |
| ESOP 2011 | Grant I | 553,000 | 20-Sep-13 | 20-Sep-14 | 20-Sep-15 |
| ESOP 2011 | Grant II | 28,000 | 19-Sep-14 | 19-Sep-15 | 19-Sep-16 |
| ESOP 2011 | Grant III | 38,500 | 19-Sep-15 | 19-Sep-16 | 19-Sep-17 |
| ESOP 2011 | Grant IV | 75,500 | 19-Sep-16 | 19-Sep-17 | 19-Sep-18 |
| ESOP 2011 | Grant V | 185,438 | 19-Sep-17 | 19-Sep-18 | 19-Sep-19 |
| ESOP 2016 | Grant I | 178,438 | 1-Jul-18 | 1-Jul-19 | 1-Jul-20 |
| ESOP 2016 | Grant II | 537,150 | 1-Dec-20 | 1-Dec-21 | 1-Dec-22 |
| ESOP 2018 | Grant I | 149,750 | 1-Dec-21 | 1-Dec-22 | 1-Dec-23 |
| ESOP 2018 | Grant II | 707,000 | 1-Apr-23 | 1-Apr-24 | 1-Apr-25 |

| Scheme | Date of Grant | Number of options Granted * | Exercise price | Weighted Average Fair value of option at grant date |
|---|---|---|---|---|
| ESOP 2011 | September 19, 2011 | 553,000 | 10.00 | 105.96 |
| ESOP 2011 | September 19, 2012 | 28,000 | 10.00 | 163.94 |
| ESOP 2011 | September 19, 2013 | 38,500 | 10.00 | 175.94 |
| ESOP 2011 | September 19, 2014 | 75,500 | 10.00 | 262.84 |
| ESOP 2011 | September 19, 2015 | 185,438 | 10.00 | 525.65 |
| ESOP 2016 | July 01, 2016 | 178,438 | 550.00 | 84.45 |
| ESOP 2016 | December 01, 2018 | 537,150 | 292.00 | 167.83 |
| ESOP 2018 | December 01, 2019 | 149,750 | 255.50 | 150.88 |
| ESOP 2018 | April 01, 2021 | 707,000 | 356.00 | 474.70 |

* The Company issued bonus shares in the ratio of 3 shares for every 1 share held.

### The details of activity under the Scheme ESOP 2011 are summarised below:

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| | No. of options | No. of options |
| Outstanding at the beginning of the year | - | 6,000 |
| Forfeited during the year | - | - |
| Exercised during the year | | 6,000 |
| Outstanding at the end of the year | - | - |
| Exercisable at the end of the year | - | - |
| Weighted average exercise price for all the above options | - | 10 |

### The details of activity under the Scheme ESOP 2016 are summarised below:

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| | No. of options | No. of options |
| Outstanding at the beginning of the year | 1,818,435 | 7,83,425 |
| Granted during the year | - | - |
| Additional options on adjustment of stock split on September 29, 2020 | | 19,77,600 |
| Forfeited during the year | 56,400 | 56,700 |
| Exercised during the year | 603,575 | 8,85,890 |
| Outstanding at the end of the year | 1,158,460 | 18,18,435 |
| Exercisable at the end of the year | 345 | 18,065 |
| Options cancelled | 345 | - |
| Weighted average exercise price for all the above options | 292.00 | 292.00 |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**The details of activity under the Scheme ESOP 2018 are summarised below:**

| Particulars | March 31, 2022 No. of options | March 31, 2021 No. of options |
|---|---|---|
| Outstanding at the beginning of the year | 641,250 | 142,750 |
| Granted during the year | 707,000 | - |
| Additional options on adjustment of stock split on September 29, 2020 | - | 540,000 |
| Forfeited during the year | 59,190 | 41,500 |
| Exercised during the year | 153,375 | - |
| Outstanding at the end of the year | 1,135,685 | 641,250 |
| Weighted average exercise price for all the above options | 255.50 | 255.50 |

For options exercised during the year, the weighted average share price at the exercise date under under ESOP 2016 scheme, was ₹ 131.82 per share (March 31, 2021: ₹ 131.82 per share).

The weighted average remaining contractual life for the stock options outstanding under ESOP 2016 as at March 31, 2022 is 0.67 years (March 31, 2021: 1.67 years) and under ESOP 2018 as at March 31, 2022 is 3.73 years (March 31, 2021: 2.67). The range of exercise prices for options outstanding under ESOP 2016 as at March 31, 2022 was ₹550.00 (March 31, 2021: ₹ 550.00) and under ESOP 2018 as at March 31, 2022 was ₹ 255.50 (March 31, 2021: ₹ 255.50).

The weighted average fair value of stock options granted during the year under ESOP 2016 scheme was ₹ Nil (March 31, 2021: ₹ Nil) and under ESOP 2018 scheme was ₹ 474.70 (March 31, 2021: ₹ Nil). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

| | March 31, 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | ESOP 2011 scheme | | ESOP 2016 scheme | | ESOP 2018 scheme | |
| | Grant V | Grant IV | Grant III | Grant II | Grant I | Grant II | Grant I | Grant II | Grant I |
| Dividend yield | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.39 % | 0.39 % | 0.25 % | 0.43 % |
| Expected volatility | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 26.90 % | 0.00 % | 42.13 % | 0.00 % |
| Risk-free interest rate | 7.71 % | 8.56 % | 8.47 % | 8.01 % | 8.34 % | 7.19 % | 7.03 % | 4.74 % | 5.81 % |
| Weighted average share price of ₹ | 533.00 | 269.97 | 183.10 | 171.22 | 113.15 | 384.00 | 514.79 | 474.70 | 350.25 |
| Exercise price of ₹ | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 292.00 | 550.00 | 217.10 | 255.50 |
| Expected life of options granted in years | 3.51 | 3.50 | 3.50 | 3.50 | 3.51 | 2.50 | 2.50 | 3.50 | 3.50 |

| | March 31, 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | ESOP 2011 scheme | | | | | ESOP 2016 scheme | | ESOP 2018 scheme | |
| | Grant V | Grant IV | Grant III | Grant II | Grant I | Grant II | Grant I | Grant II | Grant I |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.39% | 0.39% | - | 0.43% |
| Expected volatility | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 26.90% | 0.00% | - | 0.00% |
| Risk-free interest rate | 7.71% | 8.56% | 8.47% | 8.01% | 8.34% | 7.19% | 7.03% | - | 5.81% |
| Weighted average share price of ₹ | 533.00 | 269.97 | 183.10 | 171.22 | 113.15 | 384.00 | 514.79 | - | 350.25 |
| Exercise price of ₹ | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 292.00 | 550.00 | - | 255.50 |
| Expected life of options granted in years | 3.51 | 3.50 | 3.50 | 3.50 | 3.51 | 2.50 | 2.50 | - | 3.50 |

The expected life of the stock is based on the historical data and current expectations and is not necessarily indicative of exercise pattern that may occur.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 30. Trade Payables (Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006):

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year | 75.63 | 32.41 |
| The amount of interest paid by the buyer in terms of Section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006. | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year; and | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006. | - | - |
| **Total** | **75.63** | **32.41** |

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

31. In accordance with Indian Accounting Standard (Ind AS) 108 on 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 financial statements.

## 32. Research and development

### i). Details of Revenue expenditure (expensed as and when incurred):

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Cost of materials consumed | | |
| Raw materials consumed | 29.80 | 32.92 |
| Employee benefits expenses | | |
| Salaries, allowances and wages | 65.11 | 62.14 |
| Staff welfare expenses | 4.71 | 5.02 |
| Recruitment and training | 0.05 | 0.05 |
| Other expenses | | |
| Consumption of stores and spares | 1.07 | 0.82 |
| Conversion charges | - | 0.02 |
| Factory maintenance | 5.79 | 3.80 |
| Repairs and maintenance | | |
| Plant and machinery | 3.74 | 3.26 |
| Effluent treatment expenses | 1.04 | 1.11 |
| Power and fuel | 5.82 | 5.80 |
| Product development | 25.79 | 23.26 |
| Testing and analysis charges | 0.78 | 0.63 |
| Rates and taxes | 19.24 | 17.95 |
| Insurance | 2.08 | 1.67 |
| Membership and subscription | 2.45 | 2.09 |
| Consultancy and other professional charges | 15.10 | 17.63 |
| Travelling and conveyance | 0.43 | 0.15 |
| Printing and stationery | 0.17 | 0.21 |
| Communication expenses | 0.31 | 0.25 |
| Business promotion and advertisement | 0.05 | 0.02 |
| **Total** | **183.53** | **178.80** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

### ii) Details of property, plant and equipment*:

| Particulars | Buildings | Plant and equipment | Furniture and fixtures | Computers | Total Property, plant and equipment |
|---|---|---|---|---|---|
| **Gross carrying value** | | | | | |
| **As at March 31, 2020** | **9.73** | **70.46** | **13.25** | **1.29** | **94.73** |
| Additions | - | 3.78 | 0.60 | 1.00 | 5.38 |
| **As at March 31, 2021** | **9.73** | **74.24** | **13.85** | **2.29** | **100.11** |
| Additions | 0.16 | 15.62 | 0.31 | 2.10 | 18.19 |
| **As at March 31, 2022** | **9.89** | **89.86** | **14.16** | **4.39** | **118.30** |
| **Depreciation** | | | | | |
| **As at March 31, 2020** | **2.65** | **30.16** | **4.84** | **0.73** | **38.38** |
| Charge for the year | 1.55 | 10.17 | 1.45 | 0.71 | 13.88 |
| **As at March 31, 2021** | **4.20** | **40.33** | **6.29** | **1.44** | **52.26** |
| Charge for the year | 1.56 | 10.51 | 1.49 | 0.96 | 14.52 |
| **As at March 31, 2022** | **5.76** | **50.84** | **7.78** | **2.40** | **66.78** |
| **Net carrying value** | | | | | |
| **As at March 31, 2020** | **7.08** | **40.30** | **8.41** | **0.56** | **56.35** |
| **As at March 31, 2021** | **5.53** | **33.91** | **7.56** | **0.85** | **47.85** |
| **As at March 31, 2022** | **4.13** | **39.02** | **6.38** | **1.99** | **51.52** |

*For details of pledge, refer note no. 3

## 33. Related party disclosures

### Names of related parties and description of relationship

| Name of the related party | Relationship |
|---|---|
| **Subsidiary Companies** | |
| i) Laurus Synthesis Inc. (w.e.f. September 30,2020 merged with Laurus Generics Inc) | |
| ii) Sriam Labs Private Limited (Wholly-owned subsidiary) | |
| iii) Laurus Holdings Limited (Wholly-owned subsidiary) | |
| iv) Laurus Generics Inc (Subsidiary of Laurus Holdings Limited) | |
| v) Laurus Generics GmbH (Wholly-owned subsidiary of Laurus Holdings Limited) | |
| vi) Laurus Generics SA (Pty) Limited (Wholly-owned subsidiary) | |
| vii) Laurus Bio Private Limited (Holding 76.60%) (Formerly known as Richcore Lifesciences Private Limited) | |
| viii) Laurus Ingredients Private Limited (Wholly-owned subsidiary of Laurus Synthesis Private Limited)* | |
| **Associate Companies** | |
| i) Immuno-Adoptive Cell Therapy Private Limited (Holding 18.94%) (w.e.f. December 09, 2021) | |
| **Enterprise over which Key Management Personnel exercise significant influence** | |
| i) Laurus Infosystems (India) Private Limited | |
| ii) HRV Global Life Sciences Private Limited | |
| iii) Laurus Charitable Trust | |
| iv) Kapston Facilities Management limited | |
| v) SterotheraPeutic, LLC | |
| vi) NSN Investments | |
| **Key Management Personnel** | |
| i) Dr. C. Satyanarayana | Whole Time Director & Chief Executive Officer |
| ii) Mr. V. V. Ravi Kumar | Executive Director & Chief Financial Officer |
| iii) Mr. C. Chandrakanth | Non-Executive Director |
| iv) Dr. C. V. Lakshmana Rao | Executive Director |
| v) Mrs. Aruna Rajendra Bhinge | Independent Director |
| vi) Mr. Rajesh Chandy | Independent Director |
| vii) Dr. M.Venu Gopala Rao | Independent Director |
| viii) Dr. Ravindranath K. | Independent Director |
| ix) Mr. G. Venkateswar Reddy | Company Secretary |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| Name of the related party | Relationship |
|---|---|
| **Relatives of Key Management Personnel** | |
| i) Mr. C. Narasimha Rao | Brother of Dr. C. Satyanarayana |
| ii) Mr. C. Chandrakanth | Son-in-Law of Dr. C. Satyanarayana |
| iii) Mr. C. Krishna Chaitanya | Son of Dr. C. Satyanarayana |
| iv) Mrs. C. Soumya | Daughter of Dr. C. Satyanarayana |

* The Company has not commenced its operations and no share capital has been infused and the Company has filed for striking off of the name of the Company as on February 21, 2022.

## Transactions during the year:

| | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **a) Subsidiary Companies** | | |
| **i) Laurus Synthesis Inc.** | | |
| Product development expenses | - | 13.48 |
| Business promotion | - | 4.64 |
| Purchase of fixed assets | - | 4.76 |
| **ii) Sriam Labs Private Limited** | | |
| Conversion charges | 2.40 | 9.48 |
| Purchase of goods | 59.73 | 42.39 |
| Sale of goods | 8.84 | 6.22 |
| **iii) Laurus Holdings Limited** | | |
| Advances given | 1.13 | 1.95 |
| Business promotion | 4.68 | 4.39 |
| Sale of Services | 1.60 | - |
| **iv) Laurus Synthesis Private Limited** | | |
| Investments made | - | 0.10 |
| Loan given/(repaid) (net) * | 34.00 | 34.22 |
| Interest income | 6.56 | 3.97 |
| Conversion charges | 4.43 | 10.20 |
| Purchase of goods | 29.38 | 3.96 |
| Sale of goods | 3.86 | 3.56 |
| Sale of assets | 0.28 | 0.60 |
| Purchase of fixed assets | 0.31 | 0.04 |
| **vi) Laurus Generics SA (Pty.) Limited** | | |
| Investments made | - | 0.03 |
| Consultancy and other professional charges | - | 0.05 |
| **vii) Laurus Bio Private Limited** | | |
| Investments made | - | 260.44 |
| Loan given/(repaid) (net) ** | 10.00 | 10.00 |
| Interest income | 0.68 | 0.07 |
| **b) Step-down subsidiary companies** | | |
| **i) Laurus Generics Inc.** | | |
| Sale of goods (net) | 24.32 | 10.89 |
| Business promotion | 17.19 | 7.34 |
| Investment made | 15.23 | - |
| Advance given | 5.29 | - |
| **ii) Laurus Generics GmbH** | | |
| Product filing fee | 4.44 | 5.17 |
| Sale of goods | 10.23 | 3.52 |
| **c) Associate companies** | | |
| **i) Immuno-Adoptive Cell Therapy Private Limited** | | |
| Investment made | 27.60 | - |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| | | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|
| d) | **Enterprise over which Key Management Personnel exercise significant influence** | | |
| i) | **Laurus Infosystems (India) Private Limited** | | |
| | Software maintenance | 1.15 | 1.17 |
| ii) | **HRV Global Life Sciences Private Limited** | | |
| | Sale of goods | 2.41 | 6.47 |
| | Purchase of goods | 4.25 | 2.93 |
| iii) | **Laurus Charitable Trust** | | |
| | Donations | 1.38 | 0.48 |
| iv) | **Kapston Facilities Management limited** | | |
| | Factory maintenance | 1.41 | 1.20 |
| v) | **SterotheraPeutic, LLC** | | |
| | Sale of goods | 0.32 | 3.09 |
| vi) | **NSN Investments** | | |
| | Rent | 0.47 | - |
| | Security Deposit | 0.92 | - |
| e) | **Key Management Personnel** | | |
| i) | **Dr. C. Satyanarayana** | | |
| | Remuneration | 18.11 | 25.74 |
| ii) | **Mr. V. V. Ravi Kumar** | | |
| | Remuneration | 4.69 | 5.81 |
| | Rent | 0.10 | 0.10 |
| iii) | **Dr. C. V. Lakshmana Rao** | | |
| | Remuneration | 3.15 | 3.87 |
| iv) | **Mr. C. Chandrakanth** | | |
| | Independent directors fee | 0.40 | 0.40 |
| | Sitting fee | 0.09 | 0.08 |
| v) | **Mrs. Aruna Rajendra Bhinge** | | |
| | Independent directors fee | 0.20 | 0.20 |
| | Sitting fee | 0.06 | 0.07 |
| vi) | **Mr. Rajesh Chandy** | | |
| | Independent directors fee | 0.30 | 0.30 |
| | Sitting fee | 0.07 | 0.08 |
| vii) | **Dr. M. Venu Gopala Rao** | | |
| | Independent directors fee | 0.20 | 0.20 |
| | Sitting fee | 0.05 | 0.07 |
| viii) | **Dr. Ravindranath K.** | | |
| | Independent directors fee | 0.20 | 0.20 |
| | Sitting fee | 0.05 | 0.06 |
| ix) | **Mr. G. Venkateswar Reddy** | | |
| | Remuneration | 0.64 | 0.61 |
| f) | **Relatives of Key Management Personnel** | | |
| i) | **Mr. C. Narasimha Rao** | | |
| | Remuneration | 1.11 | 1.00 |
| ii) | **Mr. C. Krishna Chaitanya** | | |
| | Remuneration | 1.26 | 1.18 |
| iii) | **Mrs. C. Soumya** | | |
| | Rent | 0.20 | 0.20 |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## Closing balances (Unsecured)

| | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **a) Subsidiary Companies** | | |
| **i) Sriam Labs Private Limited** | | |
| Trade receivable | 1.04 | 1.54 |
| Trade payable | 8.93 | 6.63 |
| **ii) Laurus Holdings Limited** | | |
| Trade payables | 0.30 | 0.33 |
| Loans and advances to related parties | 2.67 | 1.95 |
| **iii) Laurus Synthesis Private Limited** | | |
| Interest receivable | 0.00 | 3.68 |
| Trade payable | 1.09 | 3.63 |
| Trade receivable | 4.81 | 5.67 |
| Inter corporate loan* | 68.22 | 34.22 |
| **iv) Laurus Bio Private Limited** | | |
| Interest receivable | - | 0.07 |
| Inter corporate loan** | 20.00 | 10.00 |
| **b) Step-down subsidiary Companies** | | |
| **i) Laurus Generics Inc.** | | |
| Trade receivable | 8.67 | 11.28 |
| Trade payables | 0.97 | 1.37 |
| **ii) Laurus Generics GmbH** | | |
| Trade receivable | 10.18 | 1.40 |
| Trade payables | - | 0.77 |
| **c) Enterprise over which Key Management Personnel exercise significant influence** | | |
| **i) HRV Global Life Sciences Private Limited** | | |
| Trade receivable | 2.30 | 0.22 |
| **ii) Kapston Facilities Management limited** | | |
| Trade payable | 0.13 | 0.10 |
| **iii) SterotheraPeutic, LLC** | | |
| Trade receivable | 0.33 | 2.66 |
| **iv) NSN Investments** | | |
| Rent payable | 0.23 | - |
| **d) Key Management Personnel** | | |
| **i) Dr. C. Satyanarayana** | | |
| Remuneration payable | 8.16 | 16.65 |
| **ii) Mr. V. V. Ravi Kumar** | | |
| Remuneration payable | 1.36 | 2.78 |
| Rent payable | 0.01 | 0.01 |
| **iii) Dr. C. V. Lakshmana Rao** | | |
| Remuneration payable | 0.91 | 1.85 |
| **iv) Mr. G. Venkateswar Reddy** | | |
| Remuneration payable | 0.09 | 0.16 |
| **e) Relatives of Key Management Personnel** | | |
| **i) Mr. C. Narasimha Rao** | | |
| Remuneration payable | 0.16 | 0.32 |
| **ii) Mr. C. Krishna Chaitanya** | | |
| Remuneration payable | 0.18 | 0.35 |
| **iii) Mrs. C. Soumya** | | |
| Rent Payable | 0.02 | 0.02 |

*Maximum balance outstanding during the year ₹ 143.21; (March 31, 2021: ₹ 82.22) loan given for business purposes.

**Maximum balance outstanding during the year ₹ 20.00 (March 31, 2021: ₹ 10.00) loan given for business purposes.

The Company has provided guarantees for ₹140.90 in the form of Corporate guarantees to CITI and DBS Bank for the loans obtained by Laurus Synthesis Private Limited, Laurus Bio Private Limited & Laurus Generics Inc., USA. (March 31, 2021: ₹ 83.00 in the form of Corporate guarantee to BBK, Axis Bank and DBS Bank for the loans obtained by Sriam Labs Private Limited and Laurus Synthesis Private Limited).

^ As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management personnel and their relatives is not ascertainable and, therefore, not included above.

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Outstanding balances at the year-end are unsecured.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 34. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### (A) Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

#### (i) Lease commitments – the Company as lessor

The Company has entered into agreements to manufacture and supply API and intermediates produced at a dedicated blocks located at Unit-1 and Unit-5 constructed exclusively for the lessee. The Company has identified assets under operating and finance lease based on the factors indicated under Appendix C to Ind AS 17 and terms of the agreement, viz. economic life of the asset vs. lease term, ownership of the asset after the lease term. The Company applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

During the year, the Company entered into a revised agreement which resulted in lease modification and as per the terms of agreement there is no exclusive right to use or direct the use of dedicated blocks located at Unit-1 and Unit-5 respectively. Accordingly, the Company has recorded the lease modification at fair value as per Ind AS 116.

#### (ii) Lease commitments – the Company as lessee

The Company has entered into leases for land and office premises. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the land and office premises and the fair value of the asset, that it does not retain significant risks and rewards of ownership of the land and the office premises and accounts for the contracts as operating leases. Further, refer note no. 40 A, for effect of transition to Ind AS 116, classification of leases and other disclosures relating to leases.

#### (iii) Taxes

The Company has a Minimum Alternate Tax (MAT) credit of ₹ 33.21 as on March 31, 2022 (March 31, 2021: ₹ 82.55). The Company recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. The Company based on its future projections of profit believes that the MAT credit would be fully utilised by the financial year 2022-23.

### (B) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### (i) Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimation requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Black Scholes valuation model has been used by the Management for share-based payment transactions. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 29.

#### (ii) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**(iii) Defined employee benefit plans (Gratuity)**

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries. Further details about gratuity obligations are given in Note 28.

**(iv) Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ('DCF') model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer notes 37 and 38 for further disclosures.

**(v) Depreciation on property, plant and equipment**

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at based on the useful lives and residual values of all its property, plant and equipment estimated by the management. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of property, plant and equipment, though these rates in certain cases are different from lives prescribed under Schedule II of the Companies Act, 2013.

**(vi) Impairment of investments**

The Company reviews its carrying value of investments annually, or more frequently when there is an indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for. The recoverable amounts have been determined based on value in use calculations which uses cash flow projections covering generally a period of five years (which are based on key assumptions such as margins, expected growth rates based on past experience and Management's expectations/ extrapolation of normal increase/steady terminal growth rate) and appropriate discount rates that reflects current market assessments of time value of money and risks specific to these investments. The cash flow projections included estimates for five years developed using internal forecasts and terminal growth rate thereafter. The management believes that any reasonable possible change in key assumptions on which recoverable amount is based is not expected to cause the aggregate carrying amount to exceed the aggregate recoverable amount of the investments.

**(C) Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19)**

COVID-19 is the infectious disease caused by the most recently discovered coronavirus, SARS-CoV-2. In March 2020, the WHO declared COVID-19 a pandemic. The Company has adopted measures to curb the spread of infection in order to protect the health of our employees and ensure business continuity with minimal disruption. The Company immediately took steps to mitigate sanitary and health risks and the Company promptly set up a team of experts to assist the Health and Safety at Work places. In assessing the recoverability of receivables and other financials assets, the Company has considered internal and external information up to the date of approval of these Standalone financial statements. The impact of the global health pandemic may be different from that of estimated as at the date of approval of these standalone financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

## 35. Hedging activities and derivatives

**Derivatives designated as hedging instruments**

The Company uses foreign currency denominated borrowings and foreign exchange forward contracts to manage some of its transaction exposures. The Company classifies its derivative financial instruments that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded in the Company's hedging reserve as a component of equity and re-classified to the Statement of Profit and Loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the Statement of Profit and Loss immediately. All outstanding forward contracts have maturity period of less than twelve months. Refer note no. 38(d) for disclosure on hedges of highly probable forecasted transactions.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 36. Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments:

| Particulars | Carrying value | | Fair value | |
|---|---|---|---|---|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 | March 31, 2021 |
| **Financial assets at fair value through profit & loss:** | | | | |
| Investments | 3.41 | 3.41 | 3.41 | 3.41 |
| Financial assets at amortised cost: | | | | |
| Loans | 88.75 | 44.85 | 88.75 | 44.85 |
| Deposits and others | 48.03 | 78.36 | 48.03 | 78.36 |
| Trade receivables | 1,269.15 | 1,279.82 | 1,269.15 | 1,279.82 |
| Cash and cash equivalents | 40.33 | 38.78 | 40.33 | 38.78 |
| Other balances with banks | 0.23 | - | 0.23 | - |
| **Financial liabilities at amortised cost:** | | | | |
| Borrowings (Non-current and current) | 1,619.66 | 1,389.52 | 1,619.66 | 1,389.52 |
| Interest accrued | 3.18 | 2.59 | 3.18 | 2.59 |
| Trade payables | 849.23 | 1,158.54 | 849.23 | 1,158.54 |
| Capital creditors and others | 284.59 | 84.76 | 284.59 | 84.76 |
| **Financial liabilities/(assets) at fair value through profit and loss:** | | | | |
| Derivative contracts | (1.81) | 14.44 | (1.81) | 14.44 |
| Financial liabilities at fair value through OCI | | | | |
| Hedges of highly probable forecasted transactions | - | (14.44) | - | (14.44) |

The management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Further, the management has assessed that fair value of borrowings approximate their carrying amounts largely since they are carried at floating rate of interest.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## 37. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

**Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2022:**

| Particulars | Fair value measurement using | | | | |
|---|---|---|---|---|---|
| | Date of valuation | Total | Quoted prices in active markets | Significant observable inputs | Significant unobservable inputs |
| | | | (Level 1) | (Level 2) | (Level 3) |
| **Financial assets at fair value through profit and loss:** | | | | | |
| Investments | March 31, 2022 | 3.41 | - | 3.41 | - |
| **Financial liabilities at fair value through profit and loss:** | | | | | |
| Derivative financial instruments | March 31, 2022 | (1.81) | - | (1.81) | - |
| **Financial liabilities at fair value through OCI:** | | | | | |
| Hedges of highly probable forecasted transactions | March 31, 2022 | - | - | - | - |

**Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2021:**

| Particulars | Fair value measurement using | | | | |
|---|---|---|---|---|---|
| | Date of valuation | Total | Quoted prices in active markets | Significant observable inputs | Significant unobservable inputs |
| | | | (Level 1) | (Level 2) | (Level 3) |
| **Financial assets at fair value through profit and loss:** | | | | | |
| Investments | March 31, 2021 | 3.41 | - | 3.41 | - |
| **Financial liabilities at fair value through profit and loss:** | | | | | |
| Derivative financial instruments | March 31, 2021 | 14.44 | - | 14.44 | - |
| **Financial liabilities at fair value through OCI:** | | | | | |
| Hedges of highly probable forecasted transactions | March 31, 2021 | (14.44) | - | (14.44) | - |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

### Measurement of fair value

#### Valuation techniques

The following table shows the valuation techniques used in measuring Level 2 fair values for assets and liabilities carried at fair value through profit or loss.

| Type | Valuation technique |
|---|---|
| **Assets measured at fair value:** | |
| Investments | The fair value is determined based on value per share derived from net worth of the Company as at the reporting date. |
| **Liabilities measured at fair value:** | |
| Derivative financial instruments | The fair value is determined using quoted forward exchange rates at the reporting date. |

## 38. Financial risk management objectives and policies

### Financial risk management framework

The Company is exposed primarily to credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

### A. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, investments, derivative financial instruments, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in material concentration of credit risk, except for trade receivables.

#### Trade receivables:

The customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on the individual credit limits are defined in accordance with this assessment and outstanding customer receivables are regularly monitored. Of the trade receivables balance, ₹481.99 in aggregate (as at March 31, 2021 ₹ 698.65) is due from the Company's customers individually representing more than 5% of the total trade receivables balance and accounted for approximately 38% (March 31, 2021: 55%) of all the receivables outstanding. The Company' receivables turnover is quick and historically, there was no significant defaults on account of those customer in the past. Ind AS requires an entity to recognise in profit or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with Ind AS 109. The Company assesses at each date of statements of financial position whether a financial asset or a group of financial assets is impaired. Expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information.

Before accepting any new customer, the Company uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on periodic basis. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as given in the provision matrix.

#### Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹ 1,269.15 (March 2021: ₹ 1,279.82), being the total of the carrying amount of balances with trade receivables.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## B. Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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

| Particulars | Up to 1 year | 1 to 3 years | 3 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| **March 31, 2022:** | | | | | |
| Non-current borrowings (including current maturities) | 204.72 | 496.26 | 53.41 | - | 754.39 |
| Current borrowings | 865.27 | - | - | - | 865.27 |
| Interest accrued | 3.18 | - | - | - | 3.18 |
| Trade payables | 849.23 | - | - | - | 849.23 |
| Other payables | 284.59 | - | - | - | 284.59 |
| | **2,206.99** | **496.26** | **53.41** | **-** | **2,756.66** |
| **March 31, 2021:** | | | | | |
| Non-current borrowings (including current maturities) | 129.98 | 317.14 | 65.50 | - | 512.62 |
| Current borrowings | 876.90 | - | - | - | 876.90 |
| Interest accrued | 2.59 | - | - | - | 2.59 |
| Trade payables | 1,158.54 | - | - | - | 1,158.54 |
| Other payables | 84.76 | - | - | - | 84.76 |
| | **2,252.77** | **317.14** | **65.50** | **-** | **2,635.41** |

## C. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes.

### 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 change in market interest rates. In order to optimise the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Company's profit before tax is affected through the impact on borrowings, as follows:

| Particulars | Change in basis points | | Effect on profit before tax | |
|---|---|---|---|---|
| | Increase | Decrease | Decrease | Increase |
| **March 31, 2022** | | | | |
| Indian Rupees | 0.50 % | 0.50 % | (6.53) | 6.53 |
| US Dollars | 0.50 % | 0.50 % | (2.42) | 2.42 |
| **March 31, 2021** | | | | |
| Indian Rupees | 0.50 % | 0.50 % | (4.25) | 4.25 |
| US Dollars | 0.50 % | 0.50 % | (1.82) | 1.82 |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**Foreign currency exchange rate risk**

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in US Dollar against the functional currencies of the Company. The Company, as per its risk management policy, uses derivative instruments primarily to hedge foreign exchange. The Company evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks. It hedges a part of these risks by using derivative financial instruments in line with its risk management policies. The information on derivative instruments is as follows:

**a) Forward contract (Derivatives):**

Forward contract outstanding as at Balance Sheet date:

March 31, 2022 Sell US $ 22,000,000 Designated as fair value hedge – receivables

March 31, 2021 Sell US $ 38,330,386 Designated as fair value hedge – receivables

**b) Details of Unhedged Foreign Currency Exposure:**

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

| Particulars | Currency | March 31, 2022 | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Amount in foreign currency | Amount in ₹ | Conversion rate | Amount in foreign currency | Amount in ₹ | Conversion rate |
| Secured loans | USD | 92,068,667 | 697.95 | 75.81 | 48,904,554 | 359.47 | 73.50 |
| | EURO | - | - | 84.66 | - | - | 86.10 |
| Unsecured loans | USD | 5,138,355 | 38.95 | 75.81 | 5,962,245 | 44 | 74 |
| Interest accrued but not due on borrowings | USD | 62,725 | 0.48 | 75.81 | 35,135 | 0.26 | 73.50 |
| Trade payables | USD | 21,671,594 | 164.29 | 75.81 | 60,344,270 | 443.56 | 73.50 |
| | EURO | 468,045 | 3.96 | 84.66 | 1,451,011 | 12.49 | 86.10 |
| | GBP | 79,533 | 0.79 | 99.55 | 157,822 | 1.59 | 100.95 |
| | CAD | - | - | 60.50 | 2,495 | 0.01 | 58.06 |
| | NAD | 83,714 | 0.04 | 5.21 | - | - | 4.95 |
| | AED | 11,450 | 0.01 | 10.86 | - | - | 10.86 |
| Capital creditors | USD | 517,286 | 3.92 | 75.81 | 1,237,099 | 9.09 | 73.50 |
| | GBP | 18,853 | 0.19 | 99.55 | 15,892 | 0.16 | 100.95 |
| | EURO | 631,132 | 5.34 | 84.66 | 127,057 | 1.09 | 86.10 |
| Trade receivables | USD | 77,443,259 | 587.07 | 75.81 | 63,560,138 | 467.20 | 73.50 |
| | EURO | 8,273,530 | 70.04 | 84.66 | 3,639,671 | 31.34 | 86.10 |
| | GBP | 157,624 | 1.57 | 99.55 | - | - | 100.95 |
| | CAD | 1,506,862 | 9.12 | 60.50 | 915,418 | 5.32 | 58.06 |
| Cash and cash equivalents* | USD | 5,247,377 | 39.78 | 75.81 | 5,014,268 | 36.86 | 73.50 |
| | EURO | 13,363 | 0.11 | 84.66 | 10,170 | 0.09 | 86.10 |

* Amount less than Indian Rupees 100,000.

**c) Foreign currency sensitivity:**

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EURO exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

| Particulars | Change in forex rate | | Effect on profit before tax | |
|---|---|---|---|---|
| | Increase | Decrease | Increase/(Decrease) | |
| **March 31, 2022** | | | | |
| USD | 1.00% | 1.00% | (2.79) | 2.79 |
| EURO | 1.00% | 1.00% | 0.61 | (0.61) |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| Particulars | Change in forex rate | | Effect on profit before tax | |
|---|---|---|---|---|
| | Increase | Decrease | Increase/(Decrease) | |
| **March 31, 2021** | | | | |
| USD | 1.00% | 1.00% | (3.52) | 3.52 |
| EURO | 1.00% | 1.00% | 0.18 | (0.18) |

### d) Hedges of highly probable forecasted transactions:

In respect of hedges of highly probable forecasted transactions, the Company recorded, as a component of equity, a net loss of ₹ Nil for the year ended March 31, 2022 (for the year ended March 31, 2021: ₹ Nil).

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact is ₹ Nil as at March 31, 2022 (as at March 31, 2021: ₹ Nil).

The below table summarises the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur.

USD Million

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Not later than one month | - | - |
| Later than one month and not later than three months | - | - |
| More than three months and not later than twelve months | - | - |
| **Total** | - | **-** |

### e) Impact of COVID-19 (Global pandemic)

The Company basis their assessment believes that the probability of the occurrence of their forecasted transactions is not impacted by COVID-19 pandemic. The Company has also considered the effect of changes, if any, in both counterparty credit risk and own credit risk while assessing hedge effectiveness and measuring hedge ineffectiveness. The Company continues to believe that there is no impact on effectiveness of its hedges.

## 39. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company intends to keep the gearing ratio between 0.5 to 1.5. The Company includes within net debt, borrowings including interest accrued on borrowings less cash and short-term deposits.

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Borrowings including interest accrued on borrowings (Note 13) | 1,622.84 | 1,392.11 |
| Less: Cash and cash equivalents; other balances with banks (Note 10A & 10B) | (40.56) | (38.78) |
| **Net debt** | **1,582.28** | **1,353.33** |
| Equity | 107.47 | 107.32 |
| Other equity | 3,280.74 | 2,604.92 |
| **Total equity** | **3,388.21** | **2,712.24** |
| Gearing ratio (Net debt/ Total equity) | 0.47 | 0.50 |

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

No changes were made in the objectives, policies or processes for managing capital during the year ended March 31, 2022.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 40. Commitments and Contingencies

### A. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Operating lease commitments – Company as lessee**

The Company's lease asset classes primarily consist of leases for land. The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

The Company has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

**Transition to Ind AS 116**

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees. The Company has adopted Ind AS 116, effective annual reporting period beginning April 01, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 01, 2019). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on April 01, 2019. On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of ₹ 44.85 crore and a lease liability of ₹ 23.24 crore. The cumulative effect of applying this standard resulted in ₹ 0.217 crore being debited to retained earnings (net of taxes).

**Following are the changes in the carrying value of right of use assets for the year ended March 31, 2022 and March 31, 2021**

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Opening Balance | 40.94 | 42.89 |
| Additions | 54.99 | - |
| Depreciation | (2.74) | (1.95) |
| **Closing Balance** | **93.19** | **40.94** |

The aggregate depreciation expense on ROU assets is included under depreciation and amortisation expense in the statement of profit and loss

**The following is the movement in lease liabilities during the year ended March 31, 2022 and March 31, 2021**

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Opening Balance | 21.74 | 22.55 |
| Additions | 54.99 | - |
| Finance cost accrued during the year | 1.92 | 1.80 |
| Payment of lease liabilities | (45.21) | (2.61) |
| **Closing Balance** | **33.44** | **21.74** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**The following is the break-up of current and non-current lease liabilities as at March 31, 2022 and March 31, 2021**

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Non-current lease liabilities | 29.50 | 19.87 |
| Current lease liabilities | 3.94 | 1.87 |
| **Total** | **33.44** | **21.74** |

**The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2022 and March 31, 2021 on discounted basis**

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Within one year | 3.94 | 1.87 |
| After one year but not more than five years | 19.70 | 9.35 |
| More than five years | 9.80 | 10.52 |

## B. Commitments

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 263.07 | 424.71 |

## C. Contingent liabilities

| Particulars | | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| (i) | Outstanding bank guarantees (excluding performance obligations) | 44.47 | 51.98 |
| (ii) | Claims arising from disputes not acknowledged as debts – direct taxes | 10.90 | 11.19 |
| (iii) | Claims arising from disputes not acknowledged as debts – indirect taxes | 53.51 | 50.90 |
| (iv) | On account of provident fund liability | 7.57 | 7.57 |
| (v) | Corporate guarantees | 140.90 | 83.00 |

## 41. Ratios

The following are analytical ratios for the year ended March 31, 2022 and March 31, 2021

| Particulars | Numerator | Denominator | March 31, 2022 | March 31, 2021 | Variance | Decrease was primarily on account of decrease in profits and increase in the borrowings |
|---|---|---|---|---|---|---|
| Current Ratio | Current Assets | Current Liabilities | 1.32 | 1.29 | 2% | |
| Debt-Equity Ratio | Total Debt[1] | Shareholder's Equity | 0.48 | 0.51 | (7)% | |
| Debt Service Coverage Ratio | Earnings available for debt service[2] | Debt service[3] | 5.82 | 9.93 | (41)% | Decrease was primarily on account of decrease in profits and increase in the borrowings |
| Return on Equity (ROE) | Net profit after taxes | Average Shareholder's Equity | 24.6% | 42.2% | (42)% | Decrease was primarily on account of decrease in profits |
| Inventory Turnover Ratio | Revenue from Operations | Average Inventory | 2.92 | 3.93 | (26)% | Decrease was primarily on account of increase in inventories and decrease in revenue |
| Trade Receivables Turnover Ratio | Revenue from Operations | Average Receivables | 3.69 | 4.63 | (20)% | |
| Trade Payables Turnover Ratio | Purchases | Average Trade Payables | 0.57 | 0.78 | (27)% | Decrease was primarily on account of increase in average payables |
| Net Capital Turnover Ratio | Revenue from Operations | Working Capital[4] | 6.11 | 6.91 | (12)% | |
| Net Profit Ratio | Net Profit | Revenue from Operations | 15.9% | 20.0% | (21)% | |
| Return on Capital Employed (ROCE) | Earnings Before Interest and Taxes (EBIT) | Capital Employed [5] | 23.5% | 38.7% | (39)% | Decrease was primarily on account of decrease in profits |
| Return on Investment [6] | Income generated from investments | Investment | N.A. | N.A. | - | |

(1) Long-Term borrowings + Short-Term borrowings + Inter corporate loans + interest accrued
(2) Net profit after tax + Non-operating cash exp like depreciation + Interest + Term loan
(3) Term loan Interest + Lease payments + Principal repayments
(4) Current assets - current liabilities
(5) Tangible networth + total debt including interest accrued +deferred tax liability-deferred tax assets
(6) The Company is not having any market linked investments

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 42. Other statutory information

i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.

ii) The Company does not have any transactions with companies struck off.

iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.

iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.

v) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.

vi) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

vii) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

viii) The Company has not any such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961.

**43.** Previous year's figures have been regrouped/reclassified wherever necessary, to confirm to current period's classification in order to comply with the requirements of the amended Schedule III to the Companies Act, 2013 effective 1st April, 2021.

For and on behalf of the Board of Directors
**LAURUS LABS LIMITED**

**Dr. C. Satyanarayana**
Whole Time Director & Chief Executive Officer
DIN: 00211921

**V. V. Ravi Kumar**
Executive Director & Chief Financial Officer
DIN: 01424180

Place: Hyderabad
Date: April 28, 2022

**G. Venkateswar Reddy**
Company Secretary

# Independent Auditor's Report

To The Members of
**Laurus Labs Limited**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Laurus Labs Limited ("the Parent") and its subsidiaries, (the Parent and its subsidiaries together referred to as "the Group") which includes the Group's share of loss in its associate, which comprise the Consolidated Balance Sheet as at March 31, 2022, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of the other auditors on separate financial statements of the subsidiaries and associate referred to in the Other Matters section below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS'), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2022, and their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

### Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associate 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 consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters section below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

| Sr. No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| 1 | **Revenue recognition - Refer note 17 of the consolidated financial statements**<br>The Parent recognises revenue from sale of products based on the terms and conditions of transactions which varies with different customers.<br>For sale transactions in a certain period of time around the Balance Sheet date, it is essential to ensure that the control of the goods have been transferred to the customers. As revenue recognition is subject to management's judgement on whether the control of the goods have been transferred, we consider cut-off of revenue as a key audit matter. | **Principal audit procedures performed:**<br>We obtained an understanding of the revenue recognition process and tested the Parent's controls around the timely and accurate recording of sales transactions.<br>We have obtained an understanding of a sample of customer contracts.<br>We tested the access and change management controls of the relevant information technology system in which shipments are recorded.<br>Our test of revenue samples focused on sales recorded immediately before the year-end, obtaining evidence to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents. |

### Information Other than the Financial Statements and Auditor's Report Thereon

- The Parent's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's report including annexures to Board's report, Report on Corporate Governance and Business Responsibility Report, but does not include the consolidated financial statements, standalone 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, compare with the financial statements of the subsidiaries audited by the other auditors, to the extent it relates to these entities and, in doing so, place reliance on the work of the other auditors and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. Other information so far as it relates to the subsidiaries is traced from their financial statements audited by the other auditors.

- 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.

## Management's Responsibility for the Consolidated Financial Statements

The Parent'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 financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group including its Associate in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate are also responsible for overseeing the financial reporting process of the Group and of its associate.

## Auditor's Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Parent 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 the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate 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 and its associate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

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

We communicate with those charged with governance of the Parent and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matters**

We did not audit the financial statements of eight subsidiaries, whose financial statements reflect total assets of ₹ 463.48 crores as at March 31, 2022, total revenues of ₹ 300.76 crores and net cash inflows amounting to ₹ 25.84 crores 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 subsection (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.

Our opinion on the consolidated financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

**Report on Other Legal and Regulatory Requirements**

1. 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 the separate financial statements of the subsidiaries referred to in the Other Matters section above we report, to the extent applicable that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

    b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.

    c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

    d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.

    e) On the basis of the written representations received from the directors of the Parent as on March 31, 2022 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies and its associate company incorporated in India is disqualified as on March 31, 2022 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 and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Parent and subsidiary companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.

    g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the auditor's reports of subsidiary companies incorporated in India the remuneration paid by the Parent and such subsidiary companies to their respective directors during the year is in accordance with the provisions of section 197 of the Act.

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

        i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associate.

        ii. The Group and its associate did not have any material foreseeable losses on long-term contracts including derivative contracts.

        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group and its associate company incorporated in India.

        iv. (a) The respective Managements of the Parent its subsidiaries and its associate which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to the other auditors of such subsidiaries respectively that, to the best of their knowledge and belief, as disclosed in the note 42(vi) to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Parent or any of such subsidiaries, or associate to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Parent or any of such subsidiaries or associate ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(b) The respective Managements of the Parent its subsidiaries and its associate which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to the other auditors of such subsidiaries that, to the best of their knowledge and belief as disclosed in the note 42(vii) to the consolidated financial statements, no funds have been received by the Parent or any of such subsidiaries, or associate from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Parent or any of such subsidiaries, or associate shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(c) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances performed by us and that performed by the auditors of the subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditor's notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

V. (a) The first interim dividend declared and paid by the Parent during the year and until the date of this report is in accordance with section 123 of the Companies Act 2013.

(b) The second interim dividend declared by the Parent during the year is in accordance with section 123 of the Companies Act 2013 to the extent it applies to declaration of dividend. However, the said dividend was not due for payment on the date of this audit report.

(c) The interim dividend paid by the Company during the year in respect of the same declared for the previous year is in accordance with section 123 of the Companies Act 2013 to the extent it applies to payment of dividend.

2. With respect to the matters specified in clause (xxi) of paragraph 3 and paragraph 4 of the Companies (Auditor's Report) Order, 2020 ("CARO" / "the Order") issued by the Central Government in terms of Section 143(11) of the Act, according to the information and explanations given to us, and based on the CARO reports issued by us and the auditors of respective companies included in the consolidated financial statements to which reporting under CARO is applicable, as provided to us by the Management of the Parent, we report that there are no qualifications or adverse remarks by the respective auditors in the CARO reports of the said companies included in the consolidated financial statements.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

**Ganesh Balakrishnan**
Partner
(Membership No. 201193)
UDIN: 22201193AHYTCI4315

Place: Hyderabad
Date: April 28, 2022

# Annexure “A” to the Independent Auditor’s Report

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2022, we have audited the internal financial controls over financial reporting of **Laurus Labs Limited** (hereinafter referred to as “Parent”) and its subsidiary companies, which are companies incorporated in India as of that date.

### Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Parent, its subsidiary companies which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)”. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent and its subsidiary companies which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the subsidiary companies which are companies incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent and its subsidiary companies which are companies incorporated in India.

### Meaning of Internal Financial Controls Over Financial Reporting

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

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

### Opinion

In our opinion 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 referred to in the Other Matters paragraph below, the Parent and its subsidiary companies which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal

Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two subsidiary companies which are companies incorporated in India, is based solely on the corresponding reports of the auditors of such companies incorporated in India.

Our opinion is not modified in respect of the above matters.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

**Ganesh Balakrishnan**
Partner
(Membership No. 201193)

Place: Hyderabad
Date: April 28, 2022

# Consolidated Balance Sheet as at March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| Particulars | Notes | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 2,257.29 | 1,859.84 |
| Right-of-use assets | 41A | 138.05 | 55.16 |
| Capital work-in-progress | 3 | 813.22 | 362.17 |
| Goodwill | 4 | 246.30 | 246.30 |
| Other intangible assets | 4 | 10.83 | 9.32 |
| Financial assets | | | |
| Investments | 5A | 30.81 | 3.41 |
| Other financial assets | 5C | 60.27 | 42.33 |
| Income tax assets (net) | 16A | 6.77 | 1.41 |
| Other non-current assets | 7A | 59.89 | 95.89 |
| **Total non-current assets** | | **3,623.43** | **2,675.83** |
| **Current assets** | | | |
| Inventories | 8 | 1,760.30 | 1,575.45 |
| Financial assets | | | |
| Trade receivables | 9 | 1,354.18 | 1,306.06 |
| Cash and cash equivalents | 10A | 75.35 | 48.46 |
| Other balances with banks | 10B | 0.59 | - |
| Loans | 5B | 0.64 | 0.68 |
| Other financial assets | 5C | 1.95 | 39.07 |
| Other current assets | 7B | 151.60 | 105.14 |
| **Total current assets** | | **3,344.61** | **3,074.86** |
| **Total assets** | | **6,968.04** | **5,750.69** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 11 | 107.47 | 107.32 |
| Other equity | | 3,243.72 | 2,490.23 |
| **Total equity attributable to equity holders of parent** | | **3,351.19** | **2,597.55** |
| Non-controlling interests | | 7.86 | 3.15 |
| **Total equity** | | **3,359.05** | **2,600.70** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 13A | 596.34 | 429.16 |
| Lease liabilities | 41A | 39.63 | 26.27 |
| Other financial liabilities | 13E | 83.20 | 83.20 |
| Provisions | 15A | 72.67 | 63.19 |
| Deferred tax liability (net) | 6 | 69.11 | 19.18 |
| Other non-current liabilities | 14A | 67.03 | 71.84 |
| **Total non-current liabilities** | | **927.98** | **692.84** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 13B | 1,135.69 | 1,024.04 |
| Trade payables | | | |
| - total outstanding dues of micro enterprises and small enterprises | 13C | 78.48 | 34.12 |
| - total outstanding dues of creditors other than micro enterprises and small enterprises | 13C | 797.89 | 1,144.57 |
| Lease liabilities | 41A | 5.00 | 2.22 |
| Other financial liabilities | 13D | 300.70 | 98.21 |
| Other current liabilities | 14B | 309.06 | 128.90 |
| Provisions | 15B | 16.49 | 12.46 |
| Income tax liabilities (net) | 16B | 37.70 | 12.63 |
| **Total current liabilities** | | **2,681.01** | **2,457.15** |
| **Total – equity and liabilities** | | **6,968.04** | **5,750.69** |
| Summary of significant accounting policies | 2.2 | | |

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

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

For and on behalf of the Board of Directors
**LAURUS LABS LIMITED**

**Ganesh Balakrishnan**
Partner
Membership No. 201193

**Dr. C. Satyanarayana**
Whole Time Director & Chief Executive Officer
DIN: 00211921

**V. V. Ravi Kumar**
Executive Director & Chief Financial Officer
DIN: 01424180

Place: Hyderabad
Date: April 28, 2022

Place: Hyderabad
Date: April 28, 2022

**G. Venkateswar Reddy**
Company Secretary

# Consolidated Statement of Profit and Loss for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| | Particulars | Notes | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|---|
| I. | INCOME | | | |
| | Revenue from operations | 17 | 4,935.57 | 4,813.51 |
| | Other income | 18 | 13.58 | 22.35 |
| | **Total income ( I )** | | **4,949.15** | **4,835.86** |
| II. | EXPENSES | | | |
| | Cost of materials consumed | 19 | 2,269.13 | 2,358.97 |
| | Purchase of traded goods | | 145.81 | 96.23 |
| | Changes in inventories of finished goods, work-in-progress and stock-in-trade | 20 | (221.17) | (297.01) |
| | Employee benefits expenses | 21 | 501.53 | 434.09 |
| | Other expenses | 22 | 817.84 | 670.55 |
| | **Total expenses ( II )** | | **3,513.14** | **3,262.83** |
| III. | Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) (I-II) | | **1,436.01** | **1,573.03** |
| | Depreciation and amortisation | 3,4 & 41A | 251.49 | 205.07 |
| | Finance income | 23A | (1.72) | (1.31) |
| | Finance costs | 23B | 102.39 | 68.16 |
| IV. | Profit before tax | | **1,083.85** | **1,301.11** |
| V. | Tax expense | 27 | | |
| | Current tax | | 254.22 | 337.60 |
| | Deferred tax | | (2.80) | (20.31) |
| | **Total tax expense** | | **251.42** | **317.29** |
| VI. | Profit for the year before share of loss of an associate (IV-V) | | **832.43** | **983.82** |
| VII. | Share of loss of an associate | | (0.20) | - |
| VIII. | Profit for the year after share of loss of an associate (VI-VII) | | **832.23** | **983.82** |
| | **Other comprehensive income (OCI)** | 24 | | |
| | **Items that will not be reclassified subsequently to profit or loss:** | | | |
| | Remeasurement gains/(losses) on defined benefit plans | | 1.39 | (6.76) |
| | Tax on remeasurement of defined benefit plans | | (0.48) | 2.38 |
| | | | **0.91** | **(4.38)** |
| | **Items that will be reclassified subsequently to profit or loss:** | | | |
| | Fair value movements on cash flow hedges | | - | 14.44 |
| | Tax on fair value movements on cash flow hedges | | - | (5.04) |
| | Exchange differences on translating the financial statements of foreign operations | | 0.12 | (0.01) |
| | | | **0.12** | **9.39** |
| | **Total other comprehensive income for the year, net of tax** | | **1.03** | **5.01** |
| | **Total comprehensive income for the year, net of tax** | | **833.26** | **988.83** |
| | **Profit for the year attributable to:** | | | |
| | Equity holders of the parent | | 827.52 | 983.58 |
| | Non-controlling interests | | 4.71 | 0.24 |
| | **Total comprehensive income for the year attributable to:** | | | |
| | Equity holders of the parent | | 828.55 | 988.59 |
| | Non-controlling interests | | 4.71 | 0.24 |
| | **Earnings per equity share ₹ 2/- each fully paid (March 31, 2021: ₹ 2/- each fully paid)** | 25 | | |
| | Computed on the basis of total profit for the year | | | |
| | Basic (₹) | | 15.42 | 18.36 |
| | Diluted (₹) | | 15.35 | 18.28 |
| | Summary of significant accounting policies | 2.2 | | |

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

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

**Ganesh Balakrishnan**
Partner
Membership No. 201193

Place: Hyderabad
Date: April 28, 2022

For and on behalf of the Board of Directors
**LAURUS LABS LIMITED**

**Dr. C. Satyanarayana**
Whole Time Director & Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 28, 2022

**V. V. Ravi Kumar**
Executive Director & Chief Financial Officer
DIN: 01424180

**G. Venkateswar Reddy**
Company Secretary

# Consolidated Statement of Changes in Equity for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## a) Equity share capital

| Equity shares of ₹ 10/- each, fully paid-up | No. | ₹ |
|---|---|---|
| **At March 31, 2020** | **106,914,499** | **106.91** |
| Issued during the year | 891,890 | 0.41 |
| Stock split (₹10/- each into ₹ 2/- each) * | 428,795,996 | - |
| **At March 31, 2021** | **536,602,385** | **107.32** |
| Issued during the year – ESOP | 756,950 | 0.15 |
| **At March 31, 2022** | **537,359,335** | **107.47** |

* The Board of Directors, at their meeting held on April 30, 2020, recommended for the sub-division of equity shares of the Company from existing face value of ₹ 10/- each to face value of ₹ 2/- each (i.e. split of 1 equity share of ₹ 10/- each into 5 equity shares of ₹ 2/- each), and the same has been approved by the shareholders in the Annual General Meeting of the Company held on July 09, 2020 and the Board of Directors, at their meeting held on July 30, 2020 fixed the "record date" of September 30, 2020. Accordingly, equity shares of the Company of ₹10/ has been sub-divided into 5 equity shares of ₹ 2/- each w.e.f. September 30, 2020.

## b) Other equity

| | Reserves and surplus | | | | | Other comprehensive income | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Particulars** | **Capital reserve** | **Securities premium** | **Employee stock option** | **Retained earnings** | **Gross obligation liability to acquire non-controlling interest** | **Effective portion of cash flow hedge** | **Re-measurement gains or losses on employee defined benefit plans** | **Foreign currency translation reserve** | **Non-controlling Interests** | **Total** |
| **At March 31, 2020** | **1.79** | **685.20** | **4.63** | **987.59** | **-** | **(9.40)** | **(5.24)** | **(1.71)** | **-** | **1,662.86** |
| Profit for the year | - | - | - | 983.58 | | - | - | - | 0.24 | 983.82 |
| Expense arising from equity-settled share-based payment transactions | - | - | 2.89 | - | | - | - | - | - | 2.89 |
| Transferred from stock options outstanding | - | 9.57 | (2.60) | - | | - | - | - | - | 6.97 |
| Dividend on equity shares | - | - | - | (75.04) | | - | - | - | - | (75.04) |
| Acquisition of control in subsidiary (refer note no. 39) | | | | | | | | | 3.84 | 3.84 |
| Acquisition of non-controlling interest (refer note no. 39) | | - | - | (12.84) | | - | - | - | (0.93) | (13.77) |
| Gross obligation liability to acquire Non-controlling interest (refer note no. 13E) | | | | | (83.20) | | | | - | (83.20) |
| Foreign currency translation reserve | - | - | - | - | | - | - | (0.01) | - | (0.01) |
| Effective portion of cash flow hedge | - | - | - | - | | 9.40 | - | - | - | 9.40 |
| Remeasurement on net defined benefit liability, net of tax | - | - | - | - | | - | (4.38) | - | - | (4.38) |
| **At March 31, 2021** | **1.79** | **694.77** | **4.92** | **1,883.29** | **(83.20)** | **-** | **(9.62)** | **(1.72)** | **3.15** | **2,493.38** |
| Profit for the year | - | - | - | 827.52 | - | - | - | - | 4.71 | 832.23 |
| Expense arising from equity-settled share-based payment transactions | - | - | 6.64 | - | - | - | - | - | - | 6.64 |
| Transferred from stock options outstanding | - | 6.55 | (2.39) | - | - | - | - | - | - | 4.16 |
| Dividend on equity shares | - | - | - | (85.86) | - | - | - | - | - | (85.86) |
| Acquisition of Non-controlling interest | | - | - | | - | - | - | - | - | - |
| Gross obligation liability to acquire Non-controlling interest (refer note no. 13E) | | | | - | - | | | | - | - |
| Foreign currency translation reserve | - | - | - | - | - | - | - | 0.12 | - | 0.12 |
| Remeasurement on net defined benefit liability, net of tax | - | - | - | - | - | - | 0.91 | - | - | 0.91 |
| **At March 31, 2022** | **1.79** | **701.32** | **9.17** | **2,624.95** | **(83.20)** | **-** | **(8.71)** | **(1.60)** | **7.86** | **3,251.58** |

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

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

For and on behalf of the Board of Directors
**LAURUS LABS LIMITED**

**Ganesh Balakrishnan**
Partner
Membership No. 201193

**Dr. C. Satyanarayana**
Whole Time Director & Chief Executive Officer
DIN: 00211921

**V. V. Ravi Kumar**
Executive Director & Chief Financial Officer
DIN: 01424180

Place: Hyderabad
Date: April 28, 2022

Place: Hyderabad
Date: April 28, 2022

**G. Venkateswar Reddy**
Company Secretary

# Consolidated Statement of Cash Flow for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Profit before tax | 1,083.85 | 1,301.11 |
| **Cash flows from operating activities** | | |
| **Adjustments for:** | | |
| Depreciation and amortisation | 251.49 | 205.07 |
| Loss on sale of fixed assets (net) | 1.21 | 0.85 |
| Interest income | (1.72) | (1.31) |
| Interest expenses | 86.19 | 57.90 |
| Share based payment expense | 6.64 | 2.89 |
| Net (gain)/loss on foreign exchange fluctuations (unrealised) | 7.81 | (13.16) |
| Allowance for bad and doubtful advances and receivables | - | 2.51 |
| Provisions no longer required written back | (0.49) | (0.30) |
| **Operating profit before working capital changes** | **1,434.98** | **1,555.56** |
| **Movement In working capital:** | | |
| Increase in inventories | (174.33) | (660.17) |
| Increase in trade receivables | (51.58) | (523.74) |
| Increase in financial and non-financial assets | (15.75) | (15.22) |
| Increase/(Decrease) in trade payables | (301.21) | 559.52 |
| Increase in financial, non-financial liabilities and provisions | 201.26 | 45.55 |
| **Cash generated from operations** | **1,093.37** | **961.50** |
| Income tax paid | (182.27) | (228.50) |
| **Net cash flows from operating activities (A)** | **911.10** | **733.00** |
| **Cash flows used in investing activities** | | |
| Purchase of property, plant and equipment, including intangible assets, capital work-in-progress and capital advances | (876.84) | (688.77) |
| Proceeds from sale of property, plant and equipment | 0.12 | 4.89 |
| Movement in other bank balances | (11.74) | (0.16) |
| Investment in associates | (27.60) | - |
| Acquisition of subsidiary (net of cash acquired ₹2.16) | - | (244.51) |
| Acquisition of Non-controlling interest | - | (13.77) |
| Interest received | 1.72 | 1.33 |
| **Net cash flows used in investing activities (B)** | **(914.34)** | **(940.99)** |
| **Net cash flows (used in)/from financing activities** | | |
| Proceeds from exercise of employee stock options | 4.31 | 7.38 |
| Repayment of long-term borrowings | (167.77) | (95.73) |
| Proceeds from long-term borrowings | 414.04 | 398.00 |
| Proceeds from short-term borrowings (net) | 23.97 | 88.80 |
| Payment of lease liabilities | (73.43) | (10.67) |
| Dividend paid | (85.86) | (75.04) |
| Interest paid | (85.00) | (58.04) |
| **Net cash flows from/(used in) financing activities (C)** | **30.26** | **254.70** |
| **Net increase/(decrease) in cash and cash equivalents (A+B+C)** | **27.02** | **46.71** |
| Effect of exchange differences on cash and cash equivalents | (0.13) | 0.06 |
| Cash and cash equivalents at the beginning of the year | 48.46 | 1.69 |
| **Cash and cash equivalents at the year end** | **75.35** | **48.46** |
| **Components of cash and cash equivalents:** | | |
| Cash on hand | 0.14 | 0.18 |
| Balances with banks | | |
| On current accounts | 53.79 | 48.28 |
| On deposit accounts | 21.42 | - |
| **Total cash and cash equivalents** | **75.35** | **48.46** |

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

As per our report of even date

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
ICAI Firm Registration Number: 117366W/W-100018

For and on behalf of the Board of Directors
**LAURUS LABS LIMITED**

**Ganesh Balakrishnan**
Partner
Membership No. 201193

Place: Hyderabad
Date: April 28, 2022

**Dr. C. Satyanarayana**
Whole Time Director & Chief Executive Officer
DIN: 00211921

Place: Hyderabad
Date: April 28, 2022

**V. V. Ravi Kumar**
Executive Director & Chief Financial Officer
DIN: 01424180

**G. Venkateswar Reddy**
Company Secretary

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 1. Corporate information

The consolidated financial statements comprise financial statements of Laurus Labs Limited (the 'Company') and its subsidiaries (collectively, the 'Group') for the year ended March 31, 2022. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The Company's shares are listed on BSE Limited and National Stock Exchange of India Limited in India. The registered office of the Company is located at Plot no. 21, Jawaharlal Nehru Pharma city, Parawada, Vishakhapatnam, Andhra Pradesh – 531 201, India. The Group is principally engaged in offering a broad and integrated portfolio of Active Pharmaceuticals Ingredients (API) including intermediates, Generic Finished dosage forms (FDF) and Contract Research services to cater to the needs of the global pharmaceutical industry and to develop novel enzyme solutions for Industrial Biotechnology and Animal Origin Free recombinant proteins and enzymes for biopharma. Information on the Group's structure is provided in Note 38. Information on other related party relationships of the Group is provided in Note 32. The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on April 28, 2022.

## 2. Significant accounting policies

### 2.1 Basis of preparation

(a) The financial statements of the Group have been prepared in accordance with Indian Accounting Standards ('Ind AS'), under the historical cost except for certain financial instruments which are measured at fair values at the end of each reporting period as explained in the accounting policies below, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and guidelines issued by Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued there after.

The consolidated financial statements have been prepared on a historical cost except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in accounting policies below.

The financial statements are presented in Indian Rupees and all values are rounded to the nearest crore, except otherwise indicated.

**Basis of consolidation**

The Consolidated financial statements comprise the financial statements of the Group as at March 31, 2022 and March 31, 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

The Group has following investments in subsidiaries and associate:

| Name of Entity | Principal place of business and Country of Incorporation | Investee relationship | | Proportion of ownership interest | |
|---|---|---|---|---|---|
| | | March 31, 2022 | March 31, 2021 | March 31, 2022 | March 31, 2021 |
| Laurus Synthesis Inc. (Refer note 1) | USA | Subsidiary | Subsidiary | - | - |
| Sriam Labs Private Limited | India | Subsidiary | Subsidiary | 100 % | 100 % |
| Laurus Synthesis Private Limited (Refer note 2) | India | Subsidiary | Subsidiary | 100 % | 100 % |
| Laurus Holdings Limited | UK | Subsidiary | Subsidiary | 100 % | 100 % |
| Laurus Generics Inc. (Refer note 1) | USA | Step-down subsidiary | Step-down subsidiary | 100 % | 100 % |
| Laurus Generics GmbH | Germany | Step-down subsidiary | Step-down subsidiary | 100 % | 100 % |
| Laurus Generics SA (Pty.) Ltd. (Refer note 3) | South Africa | Subsidiary | Subsidiary | 100 % | 100 % |
| Laurus Bio Private Limited (Refer note 4) | India | Subsidiary | Subsidiary | 76.60 % | 79.21 % |
| Immuno Adopative Cell Therapy Private Limited (Refer note 5) | India | Associate | - | 18.9 % | - |

1. During the year ended March 31, 2021, Laurus Synthesis Inc. USA ( 100% wholly-owned subsidiary of the Company) has been merged with Laurus Generics Inc. USA (Step-down subsidiary of the Company) with effect from September 30, 2020. The Company accounted for the business combination in accordance with the requirement of Appendix C of Ind AS 103 Business Combination which lays down the principles in respect of accounting for business combinations of entities or businesses under common control. As required by the standard, pooling of interest method has been considered for common control business combination and accordingly, the assets and liabilities are reflected in the books of the Company at their respective carrying amounts. There is no impact of this transaction on the consolidated financial statements.

2. During the year ended March 31, 2021, the Company incorporated wholly-owned subsidiary, Laurus Synthesis Private Limited (LSPL) in India.

3. During the year ended March 31, 2021, the Company acquired 100% shares of Phekolong Pharmaceuticals Pty. Ltd., (renamed as Laurus Generics SA (Pty.) Ltd.) a wholly-owned subsidiary of Pharmacare Limited t/a Aspen Pharmacare, South Africa.

4. During the year ended March 31, 2021, the Company acquired 79.21% stake in Laurus Bio Private Limited "Laurus Bio" (Formerly known as Richcore Lifesciences Private Limited). Laurus Bio became the subsidiary w.e.f. January 20, 2021. As on March 31, 2022, the Company holds 76.60%.

5. During the year ended March 31, 2022, the Company entered into an investment agreement with Immunoadoptive Cell Therapy Private Limited, ("ImmunoACT") to acquire 26.62% stake, subject to completion of conditions precedent, for agreed consideration of ₹ 46 crore. As on March 31, 2022, the Company invested ₹ 27.60 crore representing 996 equity shares of ₹ 10/- each fully paid-up and 3,983 compulsorily convertible preference shares of ₹ 10/- each of which ₹ 5/- paid-up, with a stake of 18.94%.

**(b) Consolidation procedure:**

a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries.

b) Eliminate the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

d) Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests.

e) When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 Summary of significant accounting policies

### (a) Business combinations and goodwill

In accordance with Ind-AS 101 provisions related to first time adoption, the Group has elected to apply Ind AS accounting for business combinations prospectively from April 01, 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment. Similarly, such first time adoption exemption is also adopted for associate.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- Liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in Statement of Profit and Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**Investment in associates:**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associate are incorporated in these Consolidated Financial Statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with Ind AS 105 – Non-current Assets Held for Sale and Discontinued Operations.

**(b) Current versus non-current classification**

The Group presents assets and liabilities in the Balance Sheet based on current/non-current classification. An asset is treated 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.

All other assets are classified as non-current.

A liability is 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.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Group has identified twelve months as its operating cycle.

**(c) Foreign currencies**

The Group's consolidated financial statements are presented in Indian rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

**Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group at its functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss except with the exception of exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity, such exchange differences are recognised initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

**Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into functional currency at the rate of exchange prevailing at the reporting date and their Statements of Profit or Loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the Group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the date of transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in Statement of Profit and Loss.

**(d) Fair value measurement**

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's chief financial officer determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Any change in the fair value of each asset and liability is also compared with relevant external sources to determine whether the change is reasonable.

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

**(e) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates after taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Group derives revenues primarily from manufacture and sale of Active Pharma Ingredients (API) including intermediates, Generic Finished dosage forms (FDF) and Contract Research services (together called as "Pharmaceuticals")

The following is summary of significant accounting policies relating to revenue recognition. Further, refer note no. 17 for disaggregate revenues from contracts with customers for the year ended March 31, 2022.

**Sale of products**

The Group recognises revenue for supply of goods to customers against orders received. The majority of contracts that Group enters into relate to sales orders containing single performance obligations for the delivery of pharmaceutical products as per Ind AS 115. Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined based on the terms and conditions by each customer arrangement, but generally occurs on delivery to the customer. Revenue is not recognised until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

**Sale of services**

Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

**Interest income**

For all debt financial instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

amount of the financial asset or to the amortised cost of a financial liability. Interest income is included in finance income in the Statement of Profit and Loss.

### Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

### Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Export incentives are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

## (f) Taxes

### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

### Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits (MAT Credit) and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period/ year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Dividend distribution tax

Final Dividend on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

entity recognised 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. The Finance Act, 2020 has repealed the Dividend Distribution Tax (DDT). The Company is now required to pay/distribute dividend after deducting applicable taxes. The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates.

**(g) Property, plant and equipment**

Under the previous GAAP (Indian GAAP), property, plant and equipment and capital wok in progress were carried in the Balance Sheet at cost of acquisition. The Group has elected to regard those values of property, plant and equipment as deemed cost at the date of the acquisition since there is no change in the functional currency as at April 01, 2015 (date of transition to Ind AS) on the date of transition to Ind AS. The Group has also determined that cost of acquisition or construction at deemed cost as at April 01, 2015.

Capital work-in-progress, Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the Statement of Profit and Loss for the period during which such expenses are incurred.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance or extends its estimated useful life.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | | |
|---|---|---|
| Factory buildings | : | 30 years |
| Other buildings | : | 60 years |
| Plant and equipment | : | 5 to 20 years |
| Furniture and fixtures | : | 10 years |
| Vehicles | : | 4 to 5 years |
| Computers | : | 3 to 6 years |

The Group, based on technical assessment and management estimate, depreciates certain items of plant and equipment and vehicles over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**(h) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

**Computer Software**

Costs relating to software, which is acquired, are capitalised and amortised on a straight-line basis over their estimated useful lives of five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset.

**(i) Leases**

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgement. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The determination of

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Effective April 01, 2019, the Group adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 01, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Accordingly, comparatives for the year ended March 31, 2019 have not been retrospectively adjusted.

### Group as a lessee

The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: (i) the contract involves the use of an identified asset (ii) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Group has the right to direct the use of the asset. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

At the date of commencement of the lease, the Group recognises a Right-of-Use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the lease term and useful life of the underlying asset. The lease liability is initially measured at amortised cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows. Further, refer note no. 41 A, for effect of transition to Ind AS 116, classification of leases and other disclosures relating to leases.

### Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

### (j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

### (k) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on weighted average basis.

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

- Raw materials and packing material: Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost includes cost of purchase and other costs incurred

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

in bringing the inventories to their present location and condition.

- Finished goods and work-in-progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.
- Traded goods and spare parts: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- Stores and spares are valued at the lower of cost and net realisable value.

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

**(l) Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

Impairment losses, including impairment on inventories, are recognised in the Statement of Profit and Loss. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods/ years. Such reversal is recognised in the Statement of Profit and Loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**(m) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Profit and Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(n) Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Group operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund by a third party.

The cost of providing benefits under the defined benefit plan is determined based on projected unit credit method.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through Other comprehensive income ("OCI") in the period in which they occur. Remeasurements are not reclassified to Statement of Profit and Loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs.

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

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

The Group treats accumulated leaves which are to be settled after 12 months as a long-term employee benefit and accumulated leaves which are to be settled in the next 12 months as a short-term employee benefit for measurement purposes. Such accumulated leaves are provided for based on an actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred. The Group presents the entire liability in respect of leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement beyond 12 months after the reporting date.

**(o) Share-based payments**

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

**Equity-settled transactions**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using Black Scholes valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Statement of Profit and Loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

**(p) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets:**

**Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, a 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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 finance income in the profit or loss. This category generally applies to trade and other receivables.

For purposes of subsequent measurement, Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

classified as at FVTPL. FVTPL is a residual category for debt instruments.

In addition, the group may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The group has not designated any debt instrument as at FVTPL due to recognition inconsistency.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

Further, All equity investments in scope of Ind AS 109 are measured at fair value. For equity instruments which are not held for trading, the group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable. If the group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to P&L, 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 and Loss.

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's balance sheet) when:

a) the rights to receive cash flows from the asset have expired, or

b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

  i. the Group has transferred substantially all the risks and rewards of the asset, or

  ii. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### 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 the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, deposits and bank balances.

b) Trade receivables that result from transactions that are within the scope of Ind AS 115.

The Group follows 'simplified approach' for recognition of impairment loss. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

to use the remaining contractual term of the financial instrument.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

As a practical expedient, the Group uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Group estimates the following provision matrix at the reporting date:

| Receivables past due | % of allowance |
|---|---|
| > 1 year and < 2 years | 25% |
| > 2 years and < 3 years | 50% |
| > 3 years | 100% |

### Financial liabilities

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss ('FVTPL'), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit and Loss. The Group has not designated any financial liability as at fair value through profit and loss.

### Loans and borrowings

This is the category most relevant to the group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the Statement of Profit and Loss.

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

### Reclassification of financial assets

The group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The group's senior management determines change in the business model as a result of external or internal changes which are significant to the group's

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

operations. Such changes are evident to external parties. A change in the business model occurs when the group either begins or ceases to perform an activity that is significant to its operations. If the group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

| Original classification | Revised classification | Accounting treatment |
|---|---|---|
| Amortised cost | FVTPL | Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in Statement of Profit and Loss. |
| FVTPL | Amortised Cost | Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount. |
| Amortised cost | FVTOCI | Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification. |
| FVTOCI | Amortised cost | Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost. |
| FVTPL | FVTOCI | Fair value at reclassification date becomes its new carrying amount. No other adjustment is required. |
| FVTOCI | FVTPL | Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to Statement of Profit and Loss at the reclassification date. |

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

## (q) Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under Ind-AS 109 are recognised in the Statement of Profit and Loss. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

### Hedges of highly probable forecasted transactions

The Group classifies foreign currency forward contracts as derivative instruments in a cash flow hedging relationship to hedge foreign currency risk associated with highly probable forecasted transactions.

The use of foreign currency forward contracts is governed by the Company's policies, which provide written principles on the use of such derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes. Foreign currency forward contract derivative instruments are remeasured at fair value at each reporting date. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in cash flow hedge account in reserves and surplus as a component of equity and reclassified to the Statement of Profit and Loss as revenue in the period corresponding to the occurrence of the forecasted transactions. Ineffective portion of such derivatives is recognised immediately in Statement of Profit and Loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income /(loss), remains in other comprehensive income until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/(loss) is recognised immediately in the Statement of Profit and loss. **Hedges of recognised assets and liabilities:** Changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the statement of profit and loss. The changes in fair value of such derivative contracts, as well as the foreign exchange gains and

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

losses relating to the monetary items, are recognised in the Statement of Profit and Loss.

**(r) Cash and cash equivalents**

Cash and cash equivalents 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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

**(s) Research and development**

Revenue expenditure on research and development is charged to the Statement of Profit and Loss in the year in which it is incurred. The Group does not generate any intangible asset internally.

**(t) Measurement of EBITDA**

The Group presents EBITDA in the Statement of Profit and Loss, which is neither specifically required by Ind AS 1 nor defined under Ind AS. Ind AS complaint Schedule III allows companies to present line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the group's financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Indian Accounting Standards.

Accordingly, the Group has elected to present EBITDA as a separate line item on the face of the Statement of Profit and Loss and does not include depreciation and amortisation expense, finance income, finance costs, share of profit/ loss from associate and tax expense in the measurement of EBITDA.

**(u) New standards and interpretations not yet adopted**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 01, 2022, as below:

**Ind AS 103 – Reference to Conceptual Framework**

The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Group does not expect the amendment to have any significant impact in its financial statements.

**Ind AS 16 – Proceeds before intended use**

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Group does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

**Ind AS 37 – Onerous Contracts – Costs of Fulfilling a Contract**

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the Group does not expect the amendment to have any significant impact in its financial statements.

**Ind AS 109 – Annual Improvements to Ind AS (2021)**

The amendment clarifies which fees an entity includes when it applies the "10 percent" test of Ind AS 109 in assessing whether to derecognise a financial liability. The Group does not expect the amendment to have any significant impact in its financial statements.

**Ind AS 116 – Annual Improvements to Ind AS (2021)**

The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration. The Group does not expect the amendment to have any significant impact in its financial statements.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 3. Property, plant and equipment

| Particulars | Freehold land | Buildings | Plant and equipment | Furniture and fixtures | Computers | Vehicles | Total Property, plant and equipment |
|---|---|---|---|---|---|---|---|
| **Gross carrying value** | | | | | | | |
| **As at March 31, 2020** | **92.23** | **690.44** | **1,447.59** | **43.52** | **18.08** | **15.86** | **2,307.72** |
| Additions | 35.65 | 65.27 | 270.10 | 3.14 | 3.28 | 6.70 | 384.14 |
| Additions – business combinations (refer note no. 39) | 4.22 | 4.45 | 7.28 | 0.61 | | 0.20 | 16.76 |
| Disposals | - | - | (8.13) | (0.52) | - | (4.36) | (13.01) |
| Adjustment | | | | | | | |
| - Exchange difference | - | - | - | - | - | - | - |
| **As at March 31, 2021** | **132.10** | **760.16** | **1,716.84** | **46.75** | **21.36** | **18.40** | **2,695.61** |
| Additions | 91.71 | 103.90 | 424.96 | 4.26 | 7.80 | 8.86 | 641.49 |
| Disposals | - | - | (0.76) | - | - | (4.98) | (5.74) |
| Adjustment | | | | | | | |
| - Exchange difference | - | - | - | - | - | - | - |
| **As at March 31, 2022** | **223.81** | **864.06** | **2,141.04** | **51.01** | **29.16** | **22.28** | **3,331.36** |
| **Depreciation** | | | | | | | |
| **As at March 31, 2020** | **-** | **101.96** | **505.45** | **18.04** | **11.30** | **7.01** | **643.76** |
| Charge for the year | - | 30.99 | 157.12 | 4.02 | 3.12 | 3.88 | 199.13 |
| Disposals | - | - | (3.56) | (0.27) | - | (3.29) | (7.12) |
| Adjustment | | | | | | | |
| - Exchange difference | - | - | - | - | - | - | - |
| **As at March 31, 2021** | **-** | **132.95** | **659.01** | **21.79** | **14.42** | **7.60** | **835.77** |
| Charge for the year | - | 34.97 | 194.90 | 4.27 | 3.52 | 4.99 | 242.65 |
| Disposals | - | - | (0.47) | (0.01) | - | (3.86) | (4.34) |
| Adjustment | | | | | | | |
| - Exchange difference | - | - | - | (0.01) | - | - | (0.01) |
| **As at March 31, 2022** | - | 167.92 | 853.44 | 26.04 | 17.94 | 8.73 | 1,074.07 |
| **Net carrying value** | | | | | | | |
| **As at March 31, 2020** | **92.23** | **588.48** | **942.14** | **25.48** | **6.78** | **8.85** | **1,663.96** |
| **As at March 31, 2021** | **132.10** | **627.21** | **1,057.83** | **24.96** | **6.94** | **10.80** | **1,859.84** |
| **As at March 31, 2022** | **223.81** | **696.14** | **1,287.60** | **24.97** | **11.22** | **13.55** | **2,257.29** |

**Notes:**

**(1) Pledge on Property, plant and equipment - Laurus Labs Limited:**

Property, plant and equipment (other than vehicles) with a carrying amount of ₹2,243.74 (March 31, 2021: ₹1,849.04) are subject to a *pari passu* first charge on the Company's term loans. Further, the property, plant and equipment (other than vehicles) are subject to a *pari passu* second charge on the Company's current borrowings and SBI buyer's credit. Also, refer note 13A and 13B.

**(2) The Group has not revalued its Property, Plant and Equipment.**

**(3) Capital work-in-progress (CWIP) ageing schedule:**

**For the year ended March 31, 2022**

| Particulars | Amount in CWIP for a period of | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| Projects in progress | 719.21 | 92.43 | 1.58 | - | 813.22 |
| Projects temporarily suspended | - | - | - | - | - |

**For the year ended March 31, 2021**

| Particulars | Amount in CWIP for a period of | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| Projects in progress | 359.05 | 3.12 | - | - | 362.17 |
| Projects temporarily suspended | - | - | - | - | - |

**Note:** There is no CWIP whose completion is overdue or has exceeded its cost compared to its orignal plan.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 4. Other intangible assets

| Particulars | Goodwill on consolidation | Computer software purchased | Total |
|---|---|---|---|
| **Gross carrying value** | | | |
| **As at March 31, 2020** | **9.74** | **25.39** | **35.13** |
| Additions | - | 3.11 | 3.11 |
| Additions – business combinations (refer note no. 39) | 236.56 | 0.15 | 236.71 |
| **As at March 31, 2021** | **246.30** | **28.65** | **274.95** |
| Additions | - | 5.84 | 5.84 |
| **As at March 31, 2022** | **246.30** | **34.49** | **280.79** |
| **Amortisation** | | | |
| **As at March 31, 2020** | **-** | **15.64** | **15.64** |
| Charge for the year | - | 3.69 | 3.69 |
| **As at March 31, 2021** | **-** | **19.33** | **19.33** |
| Charge for the year | - | 4.33 | 4.33 |
| **As at March 31, 2022** | **-** | **23.66** | **23.66** |
| **Net carrying value** | | | |
| **As at March 31, 2020** | **9.74** | **9.75** | **19.49** |
| **As at March 31, 2021** | **246.30** | **9.32** | **255.62** |
| As at March 31, 2022 | **246.30** | **10.83** | **257.13** |

### Impairment test of goodwill:

Goodwill is tested for impairment on annual basis and whenever there is an indication that the recoverable amount of cash generating unit is less than its carrying amount based on number of factors including business plan, operating results, future cash flows and economic conditions. The recoverable amount of cash generating units (CGU) is determined based on higher of value in use and fair value less cost to sell.

The Group generally uses discounted cash flow based methods to determine the recoverable amount. These discounted cash flows use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and management's best estimate about future developments.

Discount rate represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and the risks specific to the asset for which future cash flow estimates have not been adjusted. The discount rate calculation is derived weighted average cost of capital of specific company. Terminal value growth rates take into consideration of external macroeconomic sources of data and industry specific trends.

### The following table presents the key assumptions used to determine value in use/fair value less cost to sell for impairment test purpose:

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Terminal value growth rate | 5 % | 5 % |
| Pre tax discount rate | 20% | **20%** |

Based on the above, no impairment was identified as at March 31, 2022 as the recoverable value exceeds the carrying value.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 5. Financial assets

### A. Investments

| | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Equity instruments of associates (net of share of loss) | 27.40 | - |
| Others | 3.41 | 3.41 |
| **Total** | 30.81 | 3.41 |

| Unquoted investments (valued at fair value through profit and loss) | March 31, 2022 | March 31, 2021 |
|---|---|---|
| - Immunoadoptive Cell Therapy Private Limited (net of share of loss) (Note 1) | 27.40 | - |
| - 3,405,000 (March 31, 2021: 3,405,000) Equity shares of ₹10 each of Atchutapuram Effluent Treatment Limited. | 3.41 | 3.41 |
| **Total** | **30.81** | **3.41** |

**Note**

1. During the year ended March 31, 2022, the Company entered into an investment agreement with Immunoadoptive Cell Therapy Private Limited, ('ImmunoACT') to acquire 26.62% stake, subject to completion of conditions precedent, for agreed consideration of ₹ 46 crore. As on March 31, 2022, the Company invested ₹ 27.60 crore representing 996 equity shares of ₹ 10/- each fully paid-up and 3,983 compulsorily convertible preference shares of ₹ 10/- each of which ₹ 5/- paid-up, with a stake of 18.94%.

2. The Group has complied with number of layers prescribed under Clause 87 of Section 2 of the Companies Act, 2013, read with the Companies (Restriction on number of layers) Rules, 2017.

### B. Loans

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Current (unsecured, considered good unless stated otherwise) | | |
| Other loans | | |
| - Loans to employees | 0.64 | 0.68 |
| **Total** | **0.64** | **0.68** |

### C. Other financial assets

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Non-current (unsecured, considered good unless stated otherwise) | | |
| Security deposits | 28.30 | 21.51 |
| Other balances with banks | 11.46 | 0.31 |
| Export and other incentives receivable * | 20.51 | 20.51 |
| **Total** | **60.27** | **42.33** |
| Current (unsecured, considered good unless stated otherwise) | | |
| Export and other incentives receivable * | 0.14 | 38.71 |
| Insurance claim receivable | - | 0.26 |
| Derivative financial instruments - asset | 1.81 | 0.10 |
| **Total** | **1.95** | **39.07** |

* Export and other incentives have been recognised on the following:

a) Incentive in the form of duty credit scrip upon sale of exports under Merchandise Exports from India Scheme under Foreign Trade Policy of India 2015-20.

b) Existing Foreign Trade Policy 2015-20, has been extended till September 30, 2022 vide notification no.64/2015-2020 dated 31.03.2022 & Public Notice No.53/2015-2020 dated 31.03.2022

c) Sales tax incentive and reimbursement of power cost under the Andhra Pradesh state incentives IIPP 2015-20 scheme. Incentives are eligible for five years from the date of commencement of production. There are no unfulfilled conditions or contingencies attached to these incentives.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 6. Deferred tax assets/(liability) (net)

| Particulars | | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| **Deferred tax liability relating to** | | | |
| Accelerated depreciation for tax purposes | | (156.46) | (126.80) |
| Deferred revenue on embedded leases | | - | (17.18) |
| | (A) | **(156.46)** | **(143.98)** |
| **Deferred tax asset relating to** | | | |
| MAT credit entitlement | | 34.56 | 85.28 |
| Expenses allowable on payment basis | | 30.52 | 15.06 |
| Other items giving rise to temporary differences | | 22.27 | 24.46 |
| | (B) | **87.35** | **124.80** |
| **Deferred tax assets/(liability) (net)** | (A+B) | **(69.11)** | **(19.18)** |

### Deferred tax assets/(liabilities):

**For the year ended March 31, 2022:**

| Particulars | Opening balance | Recognised/ Utilised during the year | Recognised in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Accelerated depreciation for tax purposes | (126.80) | (29.66) | - | (156.46) |
| Deferred revenue on embedded leases | (17.18) | 17.18 | - | - |
| MAT credit entitlement/(utilisation) | 85.28 | (50.72) | - | 34.56 |
| Expenses allowable on payment basis | 15.06 | 15.46 | - | 30.52 |
| Other items giving rise to temporary differences | 24.46 | (1.71) | (0.48) | 22.27 |
| | **(19.18)** | **(49.45)** | **(0.48)** | **(69.11)** |

**For the year ended March 31, 2021:**

| Particulars | Opening balance | Recognised/ Utilised during the year | Recognised in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Accelerated depreciation for tax purposes | (121.39) | (5.41) | - | (126.80) |
| Deferred revenue on embedded leases | (22.86) | 5.68 | - | (17.18) |
| MAT credit entitlement/(utilisation) | 193.75 | (108.47) | - | 85.28 |
| Unused tax losses/depreciation | - | | - | - |
| Expenses allowable on payment basis | 23.14 | (8.08) | - | 15.06 |
| Other items giving rise to temporary differences | 1.17 | 25.83 | (2.66) | 24.34 |
| Impact on account of adoption of Ind AS 116 (refer note no. 41A) | 0.12 | - | - | 0.12 |
| | **73.93** | **(90.45)** | **(2.66)** | **(19.18)** |

The Group has accounted for deferred tax liabilities (net) of ₹69.11 (March 31, 2021: ₹19.18) based on approval of business plan by the board, agreements entered with customers, orders on hand, fresh infusion of funds, successful patent filings and a portfolio of drugs.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 7. Other assets

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **A) Non-current (unsecured, considered good unless otherwise stated)** | | |
| Capital advances | 45.69 | 75.07 |
| Advances recoverable in cash and kind | - | 1.50 |
| Prepayments | 10.85 | 10.29 |
| Balances with statutory/Government authorities | 2.00 | 9.18 |
| Taxes paid under protest | 1.35 | 1.35 |
| | **59.89** | **97.39** |
| Less: Allowance for doubtful advances | - | (1.50) |
| **Total** | **59.89** | **95.89** |
| **B) Current (unsecured, considered good unless otherwise stated)** | | |
| Advances recoverable in cash or kind | 38.94 | 18.35 |
| Prepayments | 16.64 | 16.45 |
| Balances with statutory/Government authorities | 94.90 | 69.36 |
| Others | 1.12 | 0.98 |
| **Total** | **151.60** | **105.14** |

## 8. Inventories

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **(At lower of cost and net realisable value)** | | |
| Raw materials [including port stock and stock-in-transit ₹113.57 (March 31, 2021: ₹193.39] | 617.73 | 624.70 |
| Work-in-progress | 600.36 | 447.68 |
| Finished goods | 481.90 | 446.39 |
| Stores, spares and packing materials | 60.31 | 56.68 |
| **Total** | **1,760.30** | **1,575.45** |

## 9. Trade receivables

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **Unsecured** | | |
| Considered good | 1,354.18 | 1,306.06 |
| Credit impaired | 0.30 | 0.35 |
| | 1,354.48 | 1,306.41 |
| Less: Allowance for doubtful debts | (0.30) | (0.35) |
| **Total** | **1,354.18** | **1,306.06** |

a) No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.

b) Trade receivables are non-interest bearing and are generally on terms of 30–120 days.

c) Of the trade receivables balance, ₹ 481.99 in aggregate (as at March 31, 2021: ₹ 698.65) is due from the Company's customers individually representing more than 5% of the total trade receivables balance.

d) The Group has used practical expedient by computing the expected credit loss allowance for doubtful trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking estimates. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates used in the provision matrix. In calculating expected credit loss, the Group has also considered credit information for its customers to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

| Movement in the expected credit loss allowance | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Balance at the beginning of the year | 0.35 | 1.37 |
| Movement in expected credit loss allowance on trade receivables | (0.05) | (1.02) |
| **Balance at the end of the year** | **0.30** | **0.35** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**Trade Receivables ageing schedule for the year ended March 31, 2022:**

| Particulars | Not Due | Outstanding from due date of payment | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 6 months | 6 months - 1 year | 1- 2 years | 2-3 years | More than 3 years | |
| i) Undisputed Trade receivables - considered good | 1,033.18 | 313.72 | 6.57 | 0.71 | - | - | 1,354.18 |
| ii) Undisputed Trade receivables - which have significant increase in credit risk | - | - | - | - | - | - | - |
| iii) Undisputed Trade receivables - credit impaired | - | - | - | 0.30 | - | - | 0.30 |
| iv) Disputed trade receivables | - | - | - | - | - | - | - |
| **Total** | **1,033.18** | **313.72** | **6.57** | **1.01** | **-** | **-** | **1,354.48** |

**Trade Receivables ageing schedule for the year ended March 31, 2021:**

| Particulars | Not Due | Outstanding from due date of payment | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 6 months | 6 months - 1 year | 1-2 years | 2-3 years | More than 3 years | |
| i) Undisputed Trade receivables - considered good | 804.35 | 476.31 | 23.94 | 1.45 | - | 0.01 | 1,306.06 |
| ii) Undisputed Trade receivables - which have significant increase in credit risk | - | - | - | - | - | - | - |
| iii) Undisputed Trade receivables - credit impaired | - | - | - | 0.35 | - | - | 0.35 |
| iv) Disputed trade receivables | - | - | - | - | - | - | - |
| **Total** | **804.35** | **476.31** | **23.94** | **1.80** | **-** | **0.01** | **1,306.41** |

## 10. Cash and cash equivalents and other bank balances

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **A) Cash and cash equivalents** | | |
| **Balances with banks** | | |
| - On current accounts | 53.79 | 48.28 |
| - Deposits with original maturity of less than three months | 21.42 | - |
| Cash on hand | 0.14 | 0.18 |
| **Total** | **75.35** | **48.46** |
| **B) Other balances with banks** | | |
| On deposit accounts | | |
| - Remaining maturity for more than twelve months | 0.03 | 0.31 |
| - Remaining maturity for less than twelve months | 0.36 | - |
| - Unclaimed dividend accounts | 0.23 | - |
| **Total** | **0.62** | **0.31** |
| Less: Amount disclosed under other assets | (0.03) | (0.31) |
| **Total** | **0.59** | **-** |

Deposits with a carrying amount of ₹ 0.36 (March 31, 2021: ₹ Nil) are towards margin money given for letter of credit and bank guarantees.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 11. Equity share capital

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **Authorised** | | |
| 555,000,000* (March 31, 2021: 555,000,000) Equity shares of ₹ 2/- each | 111.00 | 111.00 |
| **Total** | **111.00** | **111.00** |
| **Issued, Subscribed and Paid-up** | | |
| 537,359,335* (March 31, 2021: 536,602,385) Equity shares of ₹ 2/- each | 107.47 | 107.32 |
| **Total** | **107.47** | **107.32** |

* The Board of Directors, at their meeting held on April 30, 2020, recommended for the sub-division of equity shares of the Company from existing face value of ₹ 10/- each to face value of ₹ 2/- each (i.e. split of 1 equity share of ₹ 10/- each into 5 equity shares of ₹ 2/- each), and the same has been approved by the shareholders in the Annual General Meeting of the Company held on July 09, 2020 and the Board of Directors, at their meeting held on July 30, 2020 fixed the "record date" of September 30, 2020. Accordingly, equity shares of the Company of ₹ 10/ has been sub-divided into 5 equity shares of ₹ 2/- each w.e.f. September 30, 2020.

### 11.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

| Equity Shares of ₹ 2/- each, fully paid-up | For the year ended March 31, 2022 | | For the year ended March 31, 2021 | |
|---|---|---|---|---|
| | No. | ₹ | No. | ₹ |
| Balance as per last financial statements (₹ 2/- each) | 536,602,385 | 107.32 | 106,914,499 | 106.91 |
| Issued during the year – ESOP (₹ 2/-each) | 756,950 | 0.15 | 891,890 | 0.41 |
| Stock split (₹10/- each into ₹ 2/- each) | - | - | 428,795,996 | |
| **Outstanding at the end of the year** | **537,359,335** | **107.47** | **536,602,385** | **107.32** |

### 11.2 Rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- per share. Each holder of equity shares is entitled to one vote per share at the general meetings of the Company. For liquidation terms refer note 11.2a.

The Company declares and pays dividends in Indian rupees. The final dividend, if any, proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2022, the amount of dividend (first interim dividend ₹ 0.80 and second interim dividend ₹ 1.20 ) per share declared as distribution to equity shareholders was ₹ 2.00 (March 31, 2022: first interim dividend ₹ 0.80, second interim dividend ₹ 0.40 and third interim dividend of ₹ 0.80).

### 11.2a. Liquidation terms and preferential rights

**The liquidation terms of the equity shares are as follows:**

(a) If the Company shall be wound up, the Liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act divide amongst the shareholders, in specie or kind the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

(b) For the purpose aforesaid, the Liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders.

### 11.3 Details of Shareholders holding more than 5% shares of the Group:

| Equity shares of ₹ 2/- each held by | March 31, 2022 | | March 31, 2021 | |
|---|---|---|---|---|
| | % Holding | No. | % Holding | No. |
| M/s. NSN Holdings represented by Dr. C. Satyanarayana | 23.10 % | 124,126,740 | - | - |
| Dr. C. Satyanarayana | - | - | 16.58 % | 88,994,020 |
| Mrs. C. Naga Rani | - | - | 6.55 % | 35,132,720 |
| Amansa Holdings Private Limited | 4.05 % | 21,738,548 | 5.04 % | 27,067,626 |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

### 11.4 Details of shares held by the promoters of the Company:

Equity Shares held by promoters as at March 31, 2022 and March 31, 2021

| Prmoter Name | March 31, 2022 | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | No. of shares | % of total shares | % Change during the year | No. of shares | % of total shares | % Change during the year |
| Dr. C. Satyanarayana* | - | - | (100.00) % | 88,994,020 | 16.58% | (5.52)% |
| Mrs. C. Naga Rani* | - | - | (100.00) % | 35,132,720 | 6.55% | (4.87)% |
| Mr. V. V Ravi Kumar | 7,705,000 | 1.43 % | (4.94) % | 8,105,000 | 1.51% | - |
| Dr. C. V. Lakshmana Rao | 13,450,145 | 2.50 % | (2.89) % | 13,850,145 | 2.58% | 6.54% |
| Mr. C. Narasimha Rao | 119,675 | 0.02 % | - | 119,675 | 0.02% | 49.36% |
| Mr. C. Chandrakanth | 42,000 | 0.01 % | - | 42,000 | 0.01% | 100.00% |
| Mrs. V. Krishnaveni | 201,397 | 0.04 % | - | 201,397 | 0.04% | 0.70% |
| Mr. C. Sekhar Babu | 100,000 | 0.02 % | - | 100,000 | 0.02% | - |
| Mrs. V. Hymavathi | 225,000 | 0.04 % | - | 225,000 | 0.04% | - |
| Mrs. C. Soumya | 10,440 | 0.00 % | - | 10,440 | 0.00% | 74.00% |
| Mr. C. Krishna Chaitanya | 20,699 | 0.00 % | - | 20,699 | 0.00% | 100.00% |
| Mrs. T. Nagamani | 100,000 | 0.02 % | - | 100,000 | 0.02% | - |
| Mrs. K. Kamala | 100,000 | 0.02 % | - | 100,000 | 0.02% | - |
| Mr. S. Narasimha Rao | 147,500 | 0.03 % | - | 147,500 | 0.03% | - |
| Mrs. S. Rama | 170,000 | 0.03 % | - | 170,000 | 0.03% | (15.00)% |
| M/s. NSN Holdings (Represented by Dr. C. Satyanarayana ) | 124,126,740 | 23.10 % | 100.00 % | - | - | - |

* Dr. C. Satyanarayana and Mrs. C. Nagarani, Promoters of the Company have Consolidated their entire shareholding by way of *inter se* transfer to Partnership Firm (M/s. NSN Holdings) on November 15, 2021

### 11.5 Details of shares reserved for issue under options

For details of shares reserved for issue under Employee Stock Options Scheme plan of the Group, refer note no. 29.

### 11.6 Aggregate number of bonus shares issued, shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

| | March 31, 2022 | March 31, 2021 | March 31, 2020 | March 31, 2019 | March 31, 2018 |
|---|---|---|---|---|---|
| No. of equity shares allotted as fully paid bonus shares by capitalisation of securities premium | - | - | - | - | - |

## 12. Dividends paid and proposed

| Cash dividends on equity shares declared and paid: | 2021-22 | | 2020-21 | |
|---|---|---|---|---|
| | Dividend per equity share | Amount | Dividend per equity share | Amount |
| Final dividend for the financial year 2019-20: ₹1.00 (face value of ₹ 10/- each) | - | - | 1.00 | 10.69 |
| First interim dividend for the financial year 2020-21 (face value of ₹ 2/- each) | - | - | 0.80 | 42.88 |
| Second interim dividend for the financial year 2020-21 (face value of ₹ 2/- each) | - | - | 0.40 | 21.47 |
| Third interim dividend for the financial year 2020-21 (face value of ₹ 2/- each) | 0.80 | 42.93 | - | - |
| First interim dividend for the financial year 2021-22 (face value of ₹ 2/- each) | 0.80 | 42.93 | - | - |
| | | **85.86** | | **75.04** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| Cash dividends on equity shares declared and paid: | 2021-22 | | 2020-21 | |
|---|---|---|---|---|
| | Dividend per equity share | Amount | Dividend per equity share | Amount |
| **Proposed dividends on equity shares:** | | | | |
| Third interim dividend for the financial year 2020-21 (face value of ₹ 2/- each) | | | 0.80 | 42.93 |
| Second interim dividend for the financial year 2021-22* (face value of ₹ 2/- each) | 1.20 | 64.48 | - | - |
| | | **64.48** | | **42.93** |

*The Board of Directors of the Company in their meeting held on April 28, 2022 have approved for payment of second interim dividend and the Company has fixed May 11, 2022 as "Record Date" for determining the eligibility of the Shareholders. Accordingly, the Company has not recognised the said proposed dividend as a liability as at March 31, 2022.

## 13. Financial liabilities

| Particulars | | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| A) | **Non-current borrowings** | | |
| | **Term loans** | | |
| | Indian rupee loans from banks (Secured) | 282.71 | 281.15 |
| | Foreign currency loans from banks (Secured) | 313.63 | 147.60 |
| | Other loans | | |
| | Vehicle loans from banks (Secured) | - | 0.41 |
| | **Total** | **596.34** | **429.16** |
| | **Current maturities of non-current borrowings** | | |
| | **Term loans** | | |
| | Indian rupee loans from banks (Secured) | 111.08 | 79.69 |
| | Foreign currency loans from banks (Secured) | 113.89 | 57.67 |
| | **Other loans** | | |
| | Vehicle loans from banks (Secured) | - | 0.56 |
| | | **224.97** | **137.92** |
| | Less: Amount disclosed under the head "current borrowings" | (224.97) | (137.92) |
| | **Total** | - | - |
| B) | **Current borrowings** | | |
| | **Cash credits and working capital demand loans** | | |
| | Indian rupee loans from banks (Secured) | 244.46 | 598.22 |
| | Indian rupee loans from banks (Un Secured) | 319.75 | 89.09 |
| | Foreign currency loans from banks (Secured) | 290.86 | 22.05 |
| | Buyer's credit from banks (Secured) | 16.70 | 132.93 |
| | Buyers credit from banks (Unsecured) | 38.95 | 43.83 |
| | Current maturities of non-current borrowings | 224.97 | 137.92 |
| | **Total** | **1,135.69** | **1,024.04** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**Terms and conditions of borrowings – Laurus Labs Limited:**

(a) The details of Indian rupee term loans from banks are as under:

| Name of the Bank | Outstanding as on March 31, 2022 | Outstanding as on March 31, 2021 | Sanction Amount | No. of Instalments | Commencement of instalments | Effective interest rate |
|---|---|---|---|---|---|---|
| State Bank of India (SBI) # | - | 98.85 | 100.00 | 18 quarterly instalments of ₹5.55 | December 2021 | (March 31, 2021: 6M MCLR + 0.10%) |
| HDFC Bank (HDFC) | 6.67 | 33.33 | 100.00 | 15 quarterly instalments of ₹6.67 | November 2018 | At MCLR (March 31, 2021: At MCLR) |
| The Hongkong & Shanghai Banking Corporation (HSBC) | 121.87 | 150.00 | 150.00 | 16 quarterly instalments of ₹9.375 | July 2021 | T Bill + 0.29% (March 31, 2021: T Bill + 0.29%) |
| CITI Bank (CITI) | 18.33 | 25.00 | 40.00 | 24 quarterly instalments of ₹1.67 | January 2019 | T Bill + 0.28% (March 31, 2021: T Bill + 0.28%) |
| HDFC Bank (HDFC) | 180.00 | - | 200.00 | 20 quarterly instalments of ₹10 | December 2021 | 3M Repo + 1.25% |

(b) Foreign Currency loans from banks comprise of Foreign Currency Non-Resident Term Loan (FCNR TL) and ECB loan:

| Name of the Bank & Nature of Loan | Outstanding as on March 31, 2022 | Outstanding as on March 31, 2021 | Sanction Amount | No. of Instalments | Commencement of instalments | Effective interest rate |
|---|---|---|---|---|---|---|
| State Bank of India (SBI) – FCNR TL | 90.05 | 101.44 | US$ 13.80 Mn | 18 quarterly instalments of ₹5.55 | December 2021 | SOFR plus 1.50% p.a. (March 31, 2021: LIBOR plus 2% p.a.) |
| State Bank of India (SBI) – FCNR TL# | 89.06 | - | US$ 13.25 Mn | 18 quarterly instalments of ₹5.55 | December 2021 | LIBOR plus 1.6% p.a. |
| The Hongkong & Shanghai Banking Corporation (HSBC), Singapore | 59.06 | 103.06 | US$ 25 Mn | 16 quarterly instalments | July 2019 | LIBOR plus 0.76% p.a. (March 31, 2021: LIBOR plus 0.76% p.a.) |
| State Bank of India (SBI) – New York | 189.35 | - | US$ 25 Mn | 17 quarterly instalments | November 2022 | LIBOR plus 0.97% p.a. |

# During year ended March 31, 2022, Indian Rupee Term Loan availed from SBI has been converted to FCNR TL.

(c) All term loans (except HDFC term loan outstanding of ₹6.67, which is secured by *pari passu* charge on moveable property, plant and equipment by way of hypothecation and immovable property, plant and equipment by way of mortgage) are secured by *pari passu* first charge on the property, plant and equipment (both present and future) except to the extent of assets exclusively charged to banks. They are further secured by *pari passu* second charge on current assets (both present and future)

(d) Vehicle loans were prepaid in during the year (March 31, 2021: Vehicle loans from banks are repayable in instalments ranging from 36 to 48 months from the date of the loan and secured by hypothecation of the respective vehicles)

(e) Current borrowings are availed in both Rupee and Foreign currencies. Interest on rupee loans ranges from T-Bill to MCLR Plus 0.50% (March 31, 2021: MCLR plus 0% to 0.50%). Buyers credit loan interest ranges from LIBOR plus 0.08% to SOFR plus 0.55% (March 31, 2021: LIBOR plus 0.08% to 2.00%). The secured current borrowings are backed by *pari passu* first charge on current assets and *pari passu* second charge on the fixed assets (both present and future). [March 31, 2021: Secured Current borrowings are backed by *pari passu* first charge on current assets and *pari passu* second charge on the fixed assets (both present and future)].

Terms and conditions of borrowings – Sriam Labs Private Limited

(f) The Group has used the borrowings for the purposes for which it was taken.

(g) The quarterly returns of the current assets filed by the Group with banks are in agreement with books of account.

(h) Vehicle loans are nil for FY2022. (March 31, 2021: Vehicle loan from bank is repayable in 36 monthly instalments from the date of the loan and secured by hypothecation of the respective vehicle).

(i) Borrowings are nil in FY2022. (March 31, 2021: Current borrowings are availed in Rupee. Interest on rupee loans at MCLR plus 0.50%. These borrowings are secured by Hypothecation of stocks of raw material, work-in-progress, consumables, finished goods, receivables and all chargeable current assets on first charge basis).

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

Terms and conditions of borrowings – Laurus Synthesis Private Limited.

(j) The Company has an outstanding Indian rupee term loan of ₹41.92 (March 31, 2021: 48.15) carrying an interest rate of repo plus 2.5%. Term Loan is secured by exclusive charge on fixed assets of the Company (both present & future) and is also backed by corporate guarantee issued by Laurus Labs Limited Current borrowings are availed in Rupee. Interest on rupee loans at 1M MCLR plus 0.20%. These borrowings are secured by exclusive charge on the current assets of the Company, and also backed by corporate guarantee from Laurus Labs Limited.

Terms and conditions of borrowings – Laurus Bio Private Limited.

(k) The Company has an outstanding Indian rupee term loan of ₹25.00 (March 31, 2021: ₹6.29) carrying an interest rate of 5.25% p.a. from Citi bank repayable in quarterly instalments. The loan is secured by hypothecation of existing and new Plant & Machinery, lab and testing equipments and equitable mortgage on Land and Building situated at Bommasandra Jigani Link Road. Corporate guarantee has also been given by holding company Laurus Labs Limited.

## C) Trade payables

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **Valued at amortised cost** | | |
| - Total outstanding dues to creditors other than micro enterprises and small enterprises | 787.00 | 1,122.45 |
| - Outstanding dues to related parties | 10.89 | 22.12 |
| **Total** | **797.89** | **1,144.57** |
| - Total outstanding dues to micro enterprises and small enterprises | 78.48 | 34.12 |
| **Total** | **78.48** | **34.12** |

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 30-120 day terms.

For explanations on the Group's credit risk management processes, refer to note 37.

### Trade Payables ageing schedule for the year ended March 31, 2022

| Particulars | Not due | Outstanding from due date of payment | | | | Total |
|---|---|---|---|---|---|---|
| | | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | |
| i) MSME | 78.48 | - | - | - | - | 78.48 |
| ii) Others | 620.48 | 171.95 | - | - | 5.46 | 797.89 |
| iii) Disputed dues - MSME & others | - | - | - | - | - | - |
| **Total** | **698.96** | **171.95** | **-** | **-** | **5.46** | **876.37** |

### Trade Payables ageing schedule for the year ended March 31, 2021

| Particulars | Not due | Outstanding from due date of payment | | | | Total |
|---|---|---|---|---|---|---|
| | | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | |
| i) MSME | 34.12 | - | - | - | - | 34.12 |
| ii) Others | 843.80 | 293.01 | 1.70 | 0.05 | 6.01 | 1,144.57 |
| iii) Disputed dues - MSME & others | - | - | - | - | - | - |
| **Total** | **877.92** | **293.01** | **1.70** | **0.05** | **6.01** | **1,178.69** |

## D) Other financial liabilities

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **Valued at amortised cost** | | |
| Capital creditors | 297.15 | 95.85 |
| Interest accrued * | 3.55 | 2.36 |
| **Total** | **300.70** | **98.21** |

*Interest accrued but not due is normally settled monthly/quarterly throughout the financial year.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

### E) Other financial liabilities

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Gross obligation liability to acquire Non-controlling interest * | 83.20 | 83.20 |
| | **83.20** | **83.20** |

* During the current year ended March 31, 2021, the Company acquired 72.55% stake in Laurus Bio Private Limited (''Laurus Bio'') (Formerly known as Richcore Lifesciences Private Limited) on January 20, 2021. Laurus bio became the subsidiary w.e.f. January 20, 2021. The Company further acquired 6.66% stake on February 10, 2021 from promoters of Laurus bio. As at March 31, 2021 the Company holds 76.60% (March 31, 2021: 79.21%) stake in Laurus Bio Private Limited. According to conditions stipulated in the Investment Agreement, the selling shareholders (Promoters) have "put option" over 20.79% shareholding at any time between January 20, 2024 and January 20, 2026 for a consideration equal to their proportion of the equity value of Laurus Bio. This option has been recognised as a financial liability at the fair value of the redemption amount with a corresponding adjustment to other equity. (refer note no. 39)

## 14. Other Non-current and current liabilities

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **A) Non-current** | | |
| Advances from customers | 67.03 | 71.84 |
| | **67.03** | **71.84** |
| **B) Current** | | |
| Advances from customers | 244.31 | 86.98 |
| Unclaimed dividend | 0.23 | 0.14 |
| Charge back reserves and rebates | 47.89 | 29.52 |
| Statutory dues | 16.63 | 12.26 |
| **Total** | **309.06** | **128.90** |

## 15. Provisions

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **A) Non-current provisions** | | |
| Provision for gratuity | 45.24 | 39.27 |
| Provision for compensated absences | 27.43 | 23.92 |
| **Total** | **72.67** | **63.19** |
| **B) Current provisions** | | |
| Provision for gratuity | 6.42 | 4.47 |
| Provision for compensated absences | 10.07 | 7.99 |
| **Total** | **16.49** | **12.46** |

## 16. Income tax assets/liabilities

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| **A) Income tax assets** | | |
| Advance tax (net) | 6.06 | 0.70 |
| Tax paid under protest | 0.71 | 0.71 |
| | **6.77** | **1.41** |
| **B) Income tax liabilities** | | |
| Provision for taxes (net) | 37.70 | 12.63 |
| | **37.70** | **12.63** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 17. Revenue from operations

| Particulars | | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|
| Revenue from operations | | | |
| **Sale of products** | | | |
| Income from sale of API, Intermediates and Formulations | | 4,460.15 | 4,511.26 |
| Income from sale of traded goods | | 186.06 | 87.48 |
| | (A) | **4,646.21** | **4,598.74** |
| **Sale of services** | | | |
| Contract research services | | 242.33 | 124.48 |
| | (B) | **242.33** | **124.48** |
| Other operating revenue | | | |
| Sale of scrap | | 7.62 | 5.21 |
| Export and other incentives * | | 0.41 | 32.36 |
| Others | | 39.00 | 52.72 |
| | (C) | **47.03** | **90.29** |
| **Revenue from operations** | (A+B+C) | **4,935.57** | **4,813.51** |

* Export and other incentives have been recognised on the following:

a) Incentive in the form of duty credit scrip upon sale of exports under Merchandise Exports from India Scheme under Foreign Trade Policy of India 2015-20.

b) Existing Foreign Trade Policy 2015-20, has been extended till September 30, 2022 vide notification no.64/2015-2020 dated 31.03.2022 & Public Notice No.53/2015-2020 dated 31.03.2022.

## 18. Other income

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Net gain on foreign exchange fluctuations | 10.45 | 17.71 |
| Bad debts recovered | 1.77 | - |
| Provision no longer required written back | 0.49 | 0.30 |
| Lease rental income | 0.65 | 3.89 |
| Profit on sale of fixed assets | - | 0.24 |
| Miscellaneous income | 0.22 | 0.21 |
| **Total** | **13.58** | **22.35** |

## 19. Cost of materials consumed

| Particulars | | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|
| **Raw materials consumed** | | | |
| Opening stock at the beginning of the year | | 646.22 | 295.46 |
| Add: Purchases | | 2,170.04 | 2,659.16 |
| | | **2,816.26** | **2,954.62** |
| Less: Closing stock at the end of the year | | 607.01 | 646.22 |
| | (A) | **2,209.25** | **2,308.40** |
| Packing materials consumed | (B) | 59.88 | 50.57 |
| **Total** | **(A+B)** | **2,269.13** | **2,358.97** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 20. Changes in inventories of finished goods, work-in-progress and stock-in-trade

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **Opening stock of inventories** | | |
| Finished goods of API, Intermediates and Formulations | 427.58 | 288.60 |
| Work-in-progress of API, Intermediates and Formulations | 447.68 | 289.65 |
| | **875.26** | **578.25** |
| **Closing stock of inventories** | | |
| Finished goods of API, Intermediates and Formulations | 496.07 | 427.58 |
| Work-in-progress of API, Intermediates and Formulations | 600.36 | 447.68 |
| | **1,096.43** | **875.26** |
| **(Increase)/Decrease in inventories of finished goods and work-in-progress** | **(221.17)** | **(297.01)** |
| (Increase)/Decrease in finished goods of API, Intermediates and Formulations | (68.49) | (138.98) |
| (Increase)/Decrease in Work-in-Progress of API, Intermediates and Formulations | (152.68) | (158.03) |
| **(Increase)/Decrease in inventories of finished goods and work-in-progress** | **(221.17)** | **(297.01)** |

## 21. Employee benefits expenses

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Salaries, allowances and wages | 369.87 | 316.01 |
| Contribution to provident fund and other funds | 22.34 | 18.20 |
| Gratuity expense | 10.64 | 8.60 |
| Share based payment expense | 6.64 | 2.89 |
| Managerial remuneration | 31.98 | 37.05 |
| Recruitment and training | 0.78 | 0.75 |
| Staff welfare expenses | 59.28 | 50.59 |
| **Total** | **501.53** | **434.09** |

## 22. Other expenses

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Consumption of stores and spares | 54.55 | 39.18 |
| Conversion charges | 45.10 | 50.39 |
| Factory maintenance | 146.35 | 112.40 |
| Effluent treatment expenses | 49.58 | 53.44 |
| Power and fuel | 204.47 | 157.75 |
| Repairs and maintenance | | |
| Plant and machinery | 44.97 | 35.53 |
| Buildings | 6.63 | 2.98 |
| Others | 3.45 | 2.33 |
| Product development | 29.47 | 17.29 |
| Testing and analysis charges | 1.20 | 0.67 |
| Rent | 2.31 | 2.03 |
| Rates and taxes | 33.29 | 31.99 |
| Office maintenance | 2.98 | 3.01 |
| Insurance | 24.27 | 18.27 |
| Printing and stationery | 2.64 | 2.57 |
| Consultancy and other professional charges | 33.71 | 27.79 |
| Membership and subscription | 7.85 | 6.20 |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Auditor's Remuneration | 1.27 | 1.25 |
| Travelling and conveyance | 3.64 | 1.49 |
| Communication expenses | 2.55 | 1.63 |
| Loss on sale of property, plant and equipment (net) | 1.21 | 0.85 |
| Allowance for bad and doubtful advance and debts | - | 2.51 |
| Carriage outwards | 38.01 | 38.50 |
| Commission on sales | 51.21 | 47.77 |
| Other selling expenses | 12.27 | 3.49 |
| Business promotion and advertisement | 0.49 | 1.89 |
| CSR expenditure (refer note 26) | 11.67 | 5.82 |
| Donations | 2.58 | 1.43 |
| Miscellaneous expenses | 0.13 | 0.10 |
| **Total** | **817.84** | **670.55** |

### 23A. Finance income

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Interest Income on | | |
| Deposits and margin money held | 0.77 | 0.01 |
| Electricity deposits and others | 0.95 | 1.30 |
| **Total** | **1.72** | **1.31** |

### 23B. Finance costs

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Interest | | |
| - on term loans | 27.28 | 15.99 |
| - on working capital loans | 42.07 | 37.43 |
| - on others | 6.41 | 2.70 |
| | **75.76** | **56.12** |
| Bank charges | 16.20 | 10.26 |
| Exchange differences to the extent considered as an adjustment to finance costs | 10.43 | 1.78 |
| **Total** | **102.39** | **68.16** |

## 24. Components of other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

| | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **Retained earnings:** | | |
| Remeasurement gains/(losses) on defined benefit plans | 1.39 | (6.76) |
| Deferred tax on remeasurement of defined benefit plans | (0.48) | 2.38 |
| Fair value movements on cash flow hedges | - | 14.44 |
| Deferred tax on fair value movements on cash flow hedges | - | (5.04) |
| Exchange differences on translating the financial statements of foreign operations | 0.12 | (0.01) |
| **Total other comprehensive income for the year, net of tax** | **1.03** | **5.01** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 25. Earnings per share (EPS)

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| The following reflects the profit and share data used in the basic and diluted EPS computations: | | |
| Profit available for equity shareholders | 827.52 | 983.58 |
| Weighted average number of equity shares in computing basic EPS | 536,813,916 | 535,748,294 |
| Add: Effect of dilution | | |
| Stock options granted under ESOP | 2,355,941 | 2,376,365 |
| Weighted average number of equity shares in computing diluted earnings per share | 539,169,857 | 538,124,659 |
| Face value of each equity share (₹) | 2.00 | 2.00 |
| Earnings per share | | |
| - Basic (₹) | 15.42 | 18.36 |
| - Diluted (₹) | 15.35 | 18.28 |

## 26. Details of CSR expenditure

As per the requirement of the Companies Act, 2013, gross amount required to be spent by the Group during the year is ₹ 11.34 (March 31, 2021: ₹ 4.44). The nature of CSR activities undertaken by the company includes promoting education, health care and environmental sustainability. The details of CSR expenditure is given below.

| CSR Activities | For the year ended March 31, 2022 | | |
|---|---|---|---|
| | In cash | Yet to be paid in cash | Total |
| (i) Construction/acquisition of any asset | - | - | - |
| | (-) | (-) | (-) |
| (ii) On purposes other than (i) above | 11.67 | - | 11.67 |
| | (5.82) | (-) | (5.82) |

Amounts in bracket indicate previous year numbers. There is no shortfall at the end of March 31,2022 and March 31, 2021 in terms of amount required to be spent by the company. The above includes contribution made to Laurus Charitable Trust amounting to ₹ 1.43 (March 31, 2021: ₹ 0.48).

## 27. Taxes

### (a) Income tax expense:

The major components of income tax expenses for the year ended March 31, 2022 and for the year ended March 31, 2021 are:

#### (i) Statement of Profit and Loss

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Current tax | 254.22 | 337.60 |
| Deferred tax credit* | (2.80) | (20.31) |
| **Total income tax expense recognised in Statement of Profit and Loss** | **251.42** | **317.29** |

* Including Mat credit utilisation (net) of ₹50.72 crore (March 31, 2021: ₹108.47 crore)

#### (ii) Other comprehensive income (OCI)

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Tax on remeasurement of defined benefit plans | (0.48) | 2.38 |
| Tax on fair value movements on cash flow hedges | - | (5.04) |
| **Total tax recognised in OCI** | **(0.48)** | **(2.66)** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

### (b) Reconciliation of effective tax rate:

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Profit before tax (A) | 1,083.85 | 1,301.11 |
| Enacted tax rate in India (B) | 34.944% | 34.944% |
| Expected tax expenses (C = A*B) | 378.74 | 454.66 |
| **Other than temporary difference** | | |
| Expenses disallowed under Income Tax Act, 1961 | 9.36 | 8.86 |
| Effect of lower tax rate in subsidiary | (19.89) | 0.74 |
| Income exempt from income taxes under Section 10 AA | (339.11) | (363.59) |
| Results of subsidiary not taxable | (1.79) | (30.92) |
| Others | (12.92) | (8.19) |
| **Total (D)** | **(364.36)** | **(393.10)** |
| Profit after adjusting permanent difference | 719.49 | 908.01 |
| Expected tax expense | 251.42 | 317.29 |
| Actual income tax expense (benefit) | 251.42 | 317.29 |
| Effective tax rate | 23.20% | 24.39% |

### (c) The details of component of deferred tax assets are given under note 6.

## 28. Gratuity

### Defined benefit plans

The Group has a defined benefit gratuity plan and governed by Payment of Gratuity Act, 1972. Every employee who has completed five years or more of service is entitled to a gratuity on departure at 15 days salary for each completed year of service. The scheme is funded through a policy with SBI Life Insurance Company Limited. The following tables summarise net benefit expenses recognised in the Statement of Profit and Loss, the status of funding and the amount recognised in the Balance sheet for the gratuity plan:

| | Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|
| A) | **Net employee benefit expense (recognised in employee benefits expenses)** | | |
| | Current service cost | 7.67 | 6.66 |
| | Interest cost | 3.04 | 1.98 |
| | Expected return on plan assets | (0.07) | (0.04) |
| | Net employee benefit expenses | 10.64 | 8.60 |
| | Actual return on plan asset | (0.02) | (0.01) |
| B) | **Amount recognised in the Balance Sheet** | | |
| | Defined benefit obligation | 51.92 | 43.74 |
| | Fair value of plan assets | 1.13 | 0.92 |
| | | **50.79** | **42.82** |
| C) | **Changes in the present value of the defined benefit obligation** | | |
| | Opening defined benefit obligation | 43.74 | 29.70 |
| | Current service cost | 7.67 | 6.66 |
| | Interest cost | 3.04 | 1.98 |
| | Benefits paid | (1.14) | (1.36) |
| | Net actuarial (gains)/losses on obligation for the year recognised under OCI | (1.39) | 6.76 |
| | Closing defined benefit obligation | **51.92** | **43.74** |
| D) | **Change in the fair value of plan assets** | | |
| | Opening fair value of plan assets | 0.92 | 0.21 |
| | Actual return on plan assets | 0.02 | 0.01 |
| | Contributions | 1.30 | 1.99 |
| | Benefits paid | (1.11) | (1.29) |
| | **Closing fair value of plan assets** | **1.13** | **0.92** |

The Group expects to contribute ₹6.51 to the gratuity fund in the next year (March 31, 2021: ₹4.47) against the short-term liability of ₹6.51 (March 31, 2021: ₹4.47) as per the actuarial valuation.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

| | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Investments with SBI Life Insurance Company Limited | 100.00 % | 100.00 % |

| | | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|
| E) | **Remeasurement adjustments:** | | |
| | Financial loss/(gain) on plan assets | 1.39 | (6.76) |
| | Remeasurement gains/(losses) recognised in other comprehensive income: | **1.39** | **(6.76)** |

**(i) The principal assumptions used in determining gratuity for the Group's plans are shown below:**

| | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Discount rate | 6.90 % | 6.90 % |
| Expected rate of return on assets | 6.90 % | 6.90 % |
| Salary rise | 11.00 % | 11.00 % |
| Attrition rate | **13.00%** | **13.00%** |

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

The overall expected rate of return on assets is determined based on the actual rate of return during the current year.

**(ii) Disclosure related to indication of effect of the defined benefit plan on the entity's future cashflows:**

**Expected benefit payments for the year ending:**

| Year ending | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Year 1 | 6.42 | 4.47 |
| Year 2 | 5.93 | 4.29 |
| Year 3 | 5.85 | 4.34 |
| Year 4 | 5.99 | 4.37 |
| Year 5 | 5.68 | 4.50 |
| Beyond 5 years | 21.84 | 21.77 |

The average duration of the defined benefit plan obligation at the end of the reporting period is 26.04 years (March 31, 2021: 26.04 years).

**(iii) Sensitivity analysis:**

A quantitative sensitivity analysis for significant assumption is as shown below:

| | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **(a) Effect of 1% change in assumed discount rate on defined benefit obligation** | | |
| - 1 % increase | (3.95) | (2.18) |
| - 1 % decrease | 3.11 | 4.48 |
| **(b) Effect of 1% change in assumed salary escalation rate on defined benefit obligation** | | |
| - 1 % increase | 2.69 | 4.03 |
| - 1 % decrease | (3.77) | (1.98) |
| **(c) Effect of 1% change in assumed attrition rate on defined benefit obligation** | | |
| - 1 % increase | (1.23) | 0.29 |
| - 1 % decrease | 0.01 | 1.63 |

**Defined contribution plan**

| | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| Contribution to provident fund | 20.15 | 16.47 |
| Contribution to superannuation fund | 2.05 | 1.81 |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 29. Share based payments – Equity settled

### ESOP 2011 Scheme

The board of directors/compensation committee has approved the Laurus Employees Stock Option Scheme(ESOP) 2011 for issue of stock options to eligible employees of the Company effective from September 19, 2011. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

### ESOP 2016 Scheme

The board of directors/compensation committee has approved the Laurus Employees Stock Option Scheme (ESOP) 2016 for issue of stock options to eligible employees of the Company effective from June 09, 2016. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

### ESOP 2018 Scheme

The board of directors/compensation committee has approved the Laurus Employees Stock Option Scheme (ESOP) 2018 for issue of stock options to eligible employees of the Company. According to the Scheme, the options granted vest within a period of four years, subject to the terms and conditions specified in the scheme. Options granted shall vest so long as the employee continues to be in the employment of the Company as on the date of vesting. Subject to an employee's continued employment with the Company, options can be exercised any time on or after the date of vesting of options as specified in the respective grants under the Scheme.

### Exercise period

| Scheme | Grant | Number of options | Year 1 | Year 2 | Year 3 |
|---|---|---|---|---|---|
| | | | 25% | 25% | 50% |
| ESOP 2011 | Grant I | 553,000 | 20-Sep-13 | 20-Sep-14 | 20-Sep-15 |
| ESOP 2011 | Grant II | 28,000 | 19-Sep-14 | 19-Sep-15 | 19-Sep-16 |
| ESOP 2011 | Grant III | 38,500 | 19-Sep-15 | 19-Sep-16 | 19-Sep-17 |
| ESOP 2011 | Grant IV | 75,500 | 19-Sep-16 | 19-Sep-17 | 19-Sep-18 |
| ESOP 2011 | Grant V | 185,438 | 19-Sep-17 | 19-Sep-18 | 19-Sep-19 |
| ESOP 2016 | Grant I | 178,438 | 1-Jul-18 | 1-Jul-19 | 1-Jul-20 |
| ESOP 2016 | Grant II | 537,150 | 1-Dec-20 | 1-Dec-21 | 1-Dec-22 |
| ESOP 2018 | Grant I | 149,750 | 1-Dec-21 | 1-Dec-22 | 1-Dec-23 |
| ESOP 2018 | Grant II | 707,000 | 1-Apr-23 | 1-Apr-24 | 1-Apr-25 |

| Scheme | Date of Grant | Number of options Granted * | Exercise price | Weighted average fair value of option at grant date |
|---|---|---|---|---|
| ESOP 2011 | September 19, 2011 | 553,000 | 10.00 | 105.96 |
| ESOP 2011 | September 19, 2012 | 28,000 | 10.00 | 163.94 |
| ESOP 2011 | September 19, 2013 | 38,500 | 10.00 | 175.94 |
| ESOP 2011 | September 19, 2014 | 75,500 | 10.00 | 262.84 |
| ESOP 2011 | September 19, 2015 | 185,438 | 10.00 | 525.65 |
| ESOP 2016 | July 01, 2016 | 178,438 | 550.00 | 84.45 |
| ESOP 2016 | December 01, 2018 | 537,150 | 292.00 | 167.83 |
| ESOP 2018 | December 01, 2019 | 149,750 | 255.50 | 150.88 |
| ESOP 2018 | April 01, 2021 | 707,000 | 356.00 | 474.70 |

* The Group issued bonus shares in the ratio of 3 shares for every 1 share held.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**The details of activity under the Scheme ESOP 2011 are summarised below:**

| | For the year ended March 31, 2022<br>No. of options | For the year ended March 31, 2021<br>No. of options |
|---|---|---|
| Outstanding at the beginning of the year | - | 6,000 |
| Forfeited during the year | - | - |
| Exercised during the year | - | 6,000 |
| Outstanding at the end of the year | - | - |
| Exercisable at the end of the year | - | - |
| Weighted average exercise price for all the above options | - | 10 |

**The details of activity under the Scheme ESOP 2016 are summarised below:**

| | For the year ended March 31, 2022<br>No. of options | For the year ended March 31, 2021<br>No. of options |
|---|---|---|
| Outstanding at the beginning of the year | 1,818,435 | 783,425 |
| Granted during the year | - | - |
| Additional options on adjustment of stock split on September 29, 2020 | | 1,977,600 |
| Forfeited during the year | 56,400 | 56,700 |
| Exercised during the year | 603,575 | 885,890 |
| Outstanding at the end of the year | 1,158,460 | 1,818,435 |
| Exercisable at the end of the year | 345 | 18,065 |
| Options cancelled | 345 | - |
| Weighted average exercise price for all the above options | 292 | 292 |

**The details of activity under the Scheme ESOP 2018 are summarised below:**

| | For the year ended March 31, 2022<br>No. of options | For the year ended March 31, 2021<br>No. of options |
|---|---|---|
| Outstanding at the beginning of the year | 641,250 | 142,750 |
| Granted during the year | 707,000 | - |
| Additional options on adjustment of stock split on September 29, 2020 | - | 540,000 |
| Forfeited during the year | 59,190 | 41,500 |
| Exercised during the year | 153,375 | - |
| Outstanding at the end of the year | 1,135,685 | 641,250 |
| Weighted average exercise price for all the above options | 255.50 | 255.50 |

For options exercised during the year, the weighted average share price at the exercise date under under ESOP 2016 scheme, was ₹131.82 per share (March 31, 2021: ₹ 131.82 per share).

The weighted average remaining contractual life for the stock options outstanding under ESOP 2016 as at March 31, 2022 is 0.67 years (March 31, 2021: 1.67 years) and under ESOP 2018 as at March 31, 2022 is 3.73 years (March 31, 2021: 2.67). The range of exercise prices for options outstanding under ESOP 2016 as at March 31, 2022 was ₹ 550.00 (March 31, 2021: ₹ 550.00) and under ESOP 2018 as at March 31, 2022 was ₹ 255.50 (March 31, 2021: ₹ 255.50).

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

The weighted average fair value of stock options granted during the year under ESOP 2016 scheme was ₹ Nil (March 31, 2021: ₹ Nil) and under ESOP 2018 scheme was ₹474.70 (March 31, 2021: ₹ Nil). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

| | March 31, 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | ESOP 2011 scheme | | | | | ESOP 2016 scheme | | ESOP 2018 scheme | |
| | Grant V | Grant IV | Grant III | Grant II | Grant I | Grant II | Grant I | Grant II | Grant I |
| Dividend yield | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.39 % | 0.39 % | 0.25 % | 0.43 % |
| Expected volatility | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 26.90 % | 0.00 % | 42.13 % | 0.00 % |
| Risk-free interest rate | 7.71 % | 8.56 % | 8.47 % | 8.01 % | 8.34 % | 7.19 % | 7.03 % | 4.74 % | 5.81 % |
| Weighted average share price of ₹ | 533.00 | 269.97 | 183.10 | 171.22 | 113.15 | 384.00 | 514.79 | 474.70 | 350.25 |
| Exercise price of ₹ | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 292.00 | 550.00 | 217.10 | 255.50 |
| Expected life of options granted in years | 3.51 | 3.50 | 3.50 | 3.50 | 3.51 | 2.50 | 2.50 | 3.50 | 3.50 |

| | March 31, 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | ESOP 2011 scheme | | | | | ESOP 2016 scheme | | ESOP 2018 scheme | |
| | Grant V | Grant IV | Grant III | Grant II | Grant I | Grant II | Grant I | Grant II | Grant I |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.39% | 0.39% | - | 0.43% |
| Expected volatility | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 26.90% | 0.00% | - | 0.00% |
| Risk-free interest rate | 7.71% | 8.56% | 8.47% | 8.01% | 8.34% | 7.19% | 7.03% | - | 5.81% |
| Weighted average share price of ₹ | 533.00 | 269.97 | 183.10 | 171.22 | 113.15 | 384.00 | 514.79 | - | 350.25 |
| Exercise price of ₹ | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 292.00 | 550.00 | - | 255.50 |
| Expected life of options granted in years | 3.51 | 3.50 | 3.50 | 3.50 | 3.51 | 2.50 | 2.50 | - | 3.50 |

The expected life of the stock is based on the historical data and current expectations and is not necessarily indicative of exercise pattern that may occur.

## 30. Trade payables (Details of dues to Micro, Small and Medium Enterprises as per MSMED Act,2006):

| | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year | 78.48 | 34.12 |
| The amount of interest paid by the buyer in terms of Section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006. | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year; and | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006. | - | - |
| **Total** | **78.48** | **34.12** |

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 31. Segment reporting

A. The Group is engaged in the manufacture of Active Pharmaceutical Ingredients, intermediates and formulations and the same constitutes a single reportable business segment as per Ind AS 108.

B. Segment information for secondary segment reporting (by geographical segment)

The Company has reportable geographical segments based on location of its customers:

(i) Revenue from customers within India – Domestic

(ii) Revenue from customers outside India – Exports

### Geographical segments

| Particulars | For the year ended March 31, 2022 | | |
|---|---|---|---|
| | Outside India | Within India | Total |
| Revenue | 3,556.66 | 1,378.91 | 4,935.57 |
| Carrying amount of assets | 179.14 | 6,788.90 | 6,968.04 |
| Cost incurred to acquire capital assets | - | 876.84 | 876.84 |

| Particulars | For the year ended March 31, 2021 | | |
|---|---|---|---|
| | Outside India | Within India | Total |
| Revenue | 3,269.21 | 1,544.30 | 4,813.51 |
| Carrying amount of assets | 64.35 | 5,686.34 | 5,750.69 |
| Cost incurred to acquire capital assets | - | 688.77 | 688.77 |

## 32. Related party disclosures

Names of related parties and description of relationship

| Name of the related party | Relationship |
|---|---|
| **Associate Companies** | |
| i) Immuno-Adoptive Cell Therapy Private Limited (Holding 18.94%) (w.e.f. December 09, 2021) | |
| **Enterprise over which Key Management Personnel exercise significant influence** | |
| i) Laurus Infosystems (India) Private Limited | |
| ii) HRV Global Life Sciences Private Limited | |
| iii) Laurus Charitable Trust | |
| iv) Kapston Facilities Management limited | |
| v) SterotheraPeutic, LLC | |
| vi) NSN Investments | |
| **Key Management Personnel** | |
| i) Dr. C. Satyanarayana | Whole Time Director & Chief Executive officer |
| ii) Mr. V. V. Ravi Kumar | Executive Director & Chief Financial Officer |
| iii) Dr. C. V. Lakshmana Rao | Executive Director |
| iv) Mr. C. Chandrakanth | Non-Executive Director |
| v) Mrs. Aruna Rajendra Bhinge | Independent Director |
| vi) Mr. Rajesh Chandy | Independent Director |
| vii) Dr. M. Venu Gopala Rao | Independent Director |
| viii) Dr. Ravindranath K. | Independent Director |
| ix) Mr. G. Venkateswar Reddy | Company Secretary |
| | |
| **Relatives of Key Management Personnel** | |
| i) Mr. C. Narasimha Rao | Brother of Dr. C. Satyanarayana |
| ii) Mr. C. Chandrakanth | Son-in-Law of Dr. C. Satyanarayana |
| iii) Mr. C. Krishna Chaitanya | Son of Dr. C. Satyanarayana |
| iv) Mrs. C. Soumya | Daughter of Dr. C. Satyanarayana |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## Transactions during the year:

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **a) Associate companies** | | |
| i) Immuno-Adoptive Cell Therapy Private Limited | | |
| Investment made | 27.60 | - |
| **b) Enterprise over which Key Management Personnel exercise significant influence** | | |
| i) Laurus Infosystems (India) Private Limited | | |
| Software maintenance | 1.15 | 1.17 |
| ii) HRV Global Life Sciences Private Limited | | |
| Sale of goods | 6.34 | 8.86 |
| Purchase of goods | 4.25 | 2.93 |
| iii) Laurus Charitable Trust | | |
| Donations | 1.43 | 0.48 |
| iv) Kapston Facilities Management limited | | |
| Factory maintenance | 1.41 | 1.20 |
| v) SterotheraPeutic, LLC | | |
| Sale of goods | 0.32 | 3.09 |
| vi) NSN Investments | | |
| Rent | 0.47 | - |
| Security Deposit | 0.92 | - |
| **c) Key Management Personnel** | | |
| i) Dr. C. Satyanarayana | | |
| Remuneration | 18.11 | 25.74 |
| ii) Mr. V. V. Ravi Kumar | | |
| Remuneration | 4.69 | 5.81 |
| Rent | 0.10 | 0.10 |
| iii) Dr. C. V. Lakshmana Rao | | |
| Remuneration | 3.15 | 3.87 |
| iv) Mr. C. Chandrakanth | | |
| Independent directors fee | 0.40 | 0.40 |
| Sitting fee | 0.09 | 0.08 |
| v) Mrs. Aruna Rajendra Bhinge | | |
| Independent directors fee | 0.20 | 0.20 |
| Sitting fee | 0.06 | 0.07 |
| vi) Mr. Rajesh Chandy | | |
| Independent directors fee | 0.30 | 0.30 |
| Sitting fee | 0.07 | 0.08 |
| vii) Dr. M. Venu Gopala Rao | | |
| Independent directors fee | 0.20 | 0.20 |
| Sitting fee | 0.05 | 0.07 |
| viii) Dr. Ravindranath K. | | |
| Independent directors fee | 0.20 | 0.20 |
| Sitting fee | 0.05 | 0.06 |
| ix) Mr. G. Venkateswar Reddy | | |
| Remuneration | 0.64 | 0.61 |
| **d) Relatives of Key Management Personnel** | | |
| i) Mr. C. Narasimha Rao | | |
| Remuneration | 1.11 | 1.00 |
| ii) Mr. C. Krishna Chaitanya | | |
| Remuneration | 1.26 | 1.18 |
| iii) Mrs. C. Soumya | | |
| Rent | 0.20 | 0.20 |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

### Closing balances (Unsecured)

| Particulars | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|
| **a) Enterprise over which Key Management Personnel exercise significant influence** | | |
| i) HRV Global Life Sciences Private Limited | | |
| Trade receivable | 2.68 | 0.22 |
| ii) Kapston Facilities Management limited | | |
| Trade payables | 0.13 | 0.10 |
| iii) SterotheraPeutic, LLC | | |
| Trade receivable | 0.33 | 2.66 |
| iv) NSN Investments | | |
| Rent payable | 0.23 | - |
| **b) Key Management Personnel** | | |
| i) Dr. C. Satyanarayana | | |
| Remuneration payable | 8.16 | 16.65 |
| ii) Mr. V. V. Ravi Kumar | | |
| Remuneration payable | 1.36 | 2.78 |
| Rent payable | 0.01 | 0.01 |
| iii) Dr. C. V. Lakshmana Rao | | |
| Remuneration payable | 0.91 | 1.85 |
| iv) Mr. G. Venkateswar Reddy | | |
| Remuneration payable | 0.09 | 0.16 |
| **c) Relatives of Key Management Personnel** | | |
| i) Mr. C. Narasimha Rao | | |
| Remuneration payable | 0.16 | 0.32 |
| ii) Mr. C. Krishna Chaitanya | | |
| Remuneration payable | 0.18 | 0.35 |
| iii) Mrs. C. Soumya | | |
| Rent payable | 0.02 | 0.02 |

The advance given to subsidiaries are in the nature of trade advances against orders for supply of goods & services and hence not disclosed as required under regulation 53 (f) read with para A of Schedule V of Securities And Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015.

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Group as a whole, the amount pertaining to the Key Management personnel and their relatives is not ascertainable and, therefore, not included above.

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Outstanding balances at the year-end are unsecured.

## 33. Significant accounting judgements, estimates and assumptions

The preparation of the Group's Consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### (A) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

#### (i) Lease commitments – Group as lessor

The Group has entered into agreement to manufacture and supply intermediates produced at a dedicated block constructed exclusively for the lessee. The Group has identified assets under operating and finance lease based on the factors indicated under Appendix C to Ind AS 17 and terms of the agreement, viz. economic life of the asset vs. lease term, ownership of the asset after the lease term. The Group applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

During the year, the Group entered into a revised agreement which resulted in lease modification and as per the terms of agreement there is no exclusive right to use or direct the use of dedicated blocks located at Unit-1 and Unit-5 respectively. Accordingly, the Group has recorded the lease modification at fair value as per Ind AS 116.

**(ii) Lease commitments – Group as lessee**

The Group has entered into leases for land and office premises. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the land and office premises and the fair value of the asset, that it does not retain significant risks and rewards of ownership of the land and the office premises and accounts for the contracts as operating leases. Further, refer note no. 40 A, for effect of transition to Ind AS 116, classification of leases and other disclosures relating to leases.

**(iii) Taxes**

The Group has a Minimum Alternate Tax (MAT credit of ₹ 34.56 as on March 31, 2022 (March 31, 2021: 85.28). The Group recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. The Group based on its future projections of profit believes that the MAT credit would be utilised by financial year 2022-23.

## (B) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**(i) Share-based payments**

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimation requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Black Scholes valuation model has been used by the Management for share-based payment transactions. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 29.

**(ii) Taxes**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

**(iii) Defined employee benefit plans (Gratuity)**

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries. Further details about gratuity obligations are given in Note 28.

**(iv) Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ('DCF') model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 35 and 36 for further disclosures.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**(v) Depreciation on property, plant and equipment**

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at based on the useful lives and residual values of all its property, plant and equipment estimated by the management. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of property, plant and equipment, though these rates in certain cases are different from lives prescribed under Schedule II of the Companies Act, 2013.

**(vi) Impairment of goodwill**

The Group estimates the value-in-use of the cash generating units (CGUs) based on the future cash flows after considering current economic conditions and trends, estimated future operating results and growth rate and anticipated future economic and regulatory conditions. The estimated cash flows are developed using internal forecasts. The discount rates used for the CGUs represent the weighted average cost of capital based on the historical market returns of comparable companies.

**(C) Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19)**

COVID-19 is the infectious disease caused by the most recently discovered coronavirus, SARS-CoV-2. In March 2020, the WHO declared COVID-19 a pandemic. The Group has adopted measures to curb the spread of infection in order to protect the health of our employees and ensure business continuity with minimal disruption. The Group immediately took steps to mitigate sanitary and health risks and the Group promptly set up a team of experts to assist the Health and Safety at Work places. In assessing the recoverability of receivables and other financials assets, the Group has considered internal and external information up to the date of approval of these Consolidated financial statements. The impact of the global health pandemic may be different from that of estimated as at the date of approval of these Consolidated financial statements and the Group will continue to closely monitor any material changes to future economic conditions.

## 34. Hedging activities and derivatives

### Derivatives not designated as hedging instruments

The Group uses foreign currency denominated borrowings and foreign exchange forward contracts to manage some of its transaction exposures. The Group classifies its derivative financial instruments that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded in the Group's hedging reserve as a component of equity and re-classified to the Statement of Profit and Loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the Statement of Profit and Loss immediately. All outstanding forward contracts have maturity period of less than twelve months. Refer note no. 37(d) for disclosure on hedges of highly probable forecasted transactions.

## 35. Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 | March 31, 2021 |
| **Financial assets at fair value through profit or loss:** | | | | |
| Investments | 3.41 | 3.41 | 3.41 | 3.41 |
| **Financial assets at amortised cost:** | | | | |
| Loans | 0.64 | 0.68 | 0.64 | 0.68 |
| Deposits and export and other incentive receivables | 62.22 | 81.40 | 62.22 | 81.40 |
| Trade receivables | 1,354.18 | 1,306.06 | 1,354.18 | 1,306.06 |
| Cash and cash equivalents | 75.35 | 48.46 | 75.35 | 48.46 |
| Other balances with banks | 0.59 | - | 0.59 | - |
| **Financial liabilities at amortised cost:** | | | | |
| Borrowings (Non-current and current) | 1,732.03 | 1,453.20 | 1,732.03 | 1,453.20 |
| Interest accrued | 3.55 | 2.36 | 3.55 | 2.36 |
| Trade payables | 876.37 | 1,178.69 | 876.37 | 1,178.69 |
| Capital creditors and others | 297.15 | 95.85 | 297.15 | 95.85 |
| Gross obligation liability to acquire non-controlling interest | 83.20 | 83.20 | 83.20 | 83.20 |
| **Financial liabilities (assets) at fair value through profit and loss:** | | | | |
| Derivative contracts | (1.81) | 14.44 | (1.81) | 14.44 |
| Financial liabilities at fair value through OCI | | | | |
| Hedges of high probable forecasted transactions | - | (14.44) | - | (14.44) |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

The management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Further, the management has assessed that fair value of borrowings approximate their carrying amounts largely since they are carried at floating rate of interest.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## 36. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

### Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2022:

| | Fair value measurement using | | | | |
|---|---|---|---|---|---|
| | Date of valuation | Total | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Financial assets at fair value through profit and loss:** | | | | | |
| Investments | March 31, 2022 | 3.41 | 3.41 | 3.41 | 3.41 |
| **Financial liabilities at fair value through profit and loss:** | | | | | |
| Derivative financial instruments | March 31, 2022 | - | (1.81) | - | (1.81) |
| **Financial liabilities at fair value through OCI:** | | | | | |
| Hedges of highly probable forecasted transactions | March 31, 2022 | - | - | - | - |

### Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2021:

| | Fair value measurement using | | | | |
|---|---|---|---|---|---|
| | Date of valuation | Total | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Financial assets at fair value through profit and loss:** | | | | | |
| Investments | March 31, 2021 | 3.41 | - | 3.41 | - |
| **Financial liabilities at fair value through profit and loss:** | | | | | |
| Derivative financial instruments | March 31, 2021 | 14.44 | - | 14.44 | - |
| **Financial liabilities at fair value through OCI:** | | | | | |
| Derivative financial instruments | March 31, 2021 | (14.44) | - | (14.44) | - |

### Measurement of fair value

#### Valuation techniques

The following table shows the valuation techniques used in measuring Level 2 fair values for assets and liabilities carried at fair value through profit or loss.

| Type | Valuation Technique |
|---|---|
| **Assets measured at fair value:** | |
| Investments | The fair value is determined based on value per share derived from net worth of the Company as at the reporting date. |
| **Liabilities measured at fair value:** | |
| Derivative financial instruments | The fair value is determined using quoted forward exchange rates at the reporting date. |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 37. Financial risk management objectives and policies

### Financial Risk Management Framework

The Group is exposed primarily to Credit risk, liquidity risk and market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Group assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Group.

### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, investments, derivative financial instruments, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Group result in material concentration of credit risk, except for trade receivables.

### Trade receivables:

The customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on the individual credit limits are defined in accordance with this assessment and outstanding customer receivables are regularly monitored. Of the trade receivables balance, ₹ 481.99 in aggregate (as at March 31, 2021 ₹ 698.65) is due from the Group's customers individually representing more than 5% of the total trade receivables balance and accounted for approximately 36% (March 31, 2021: 55%) of all the receivables outstanding. The Group' receivables turnover is quick and historically, there was no significant defaults on account of those customer in the past. Ind AS requires an entity to recognise in profit or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with Ind AS 109. The Group assesses at each date of statements of financial position whether a financial asset or a group of financial assets is impaired. Expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on periodic basis. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as given in the provision matrix.

### Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹1,354.18 and ₹1,306.06 as of March 31, 2022 and March 31, 2021 respectively, being the total of the carrying amount of balances with trade receivables.

### Liquidity risk

Liquidity risk refers to the risk that the Group cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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

| March 31, 2022: | Up to 1 year | 1 to 3 years | 3 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| Non-current borrowings (including current maturities) | 237.48 | 530.42 | 53.41 | - | 821.31 |
| Current borrowings | 910.72 | - | - | - | 910.72 |
| Interest accrued | 3.55 | - | - | - | 3.55 |
| Trade payables | 876.37 | - | - | - | 876.37 |
| Other payables | 297.15 | - | | - | 297.15 |
| Gross obligation liability to acquire Non-controlling interest | - | - | 83.20 | - | 83.20 |
| | **2,325.27** | **530.42** | **136.61** | **-** | **2,992.30** |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

| March 31, 2021: | Up to 1 year | 1 to 3 years | 3 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| Non-current borrowings (including current maturities) | 138.08 | 363.50 | 65.50 | - | 567.08 |
| Current borrowings | 886.12 | - | - | - | 886.12 |
| Interest accrued | 2.36 | - | - | - | 2.36 |
| Trade payables | 1,178.69 | - | - | - | 1,178.69 |
| Other payables | 95.85 | - | - | - | 95.85 |
| Gross obligation liability to acquire Non-controlling interest | - | - | 83.20 | | 83.20 |
| | **2,301.10** | **363.50** | **148.70** | **-** | **2,813.30** |

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes. The Group's exposure to market risk is primarily on account of foreign currency exchange rate risk.

### 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 change in market interest rates. In order to optimise the Group's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on borrowings, as follows:

| | Change in basis points | | Effect on profit before tax | |
|---|---|---|---|---|
| | Increase | Decrease | Decrease | Increase |
| **March 31, 2022** | | | | |
| Indian Rupees | 0.50 % | 0.50 % | (6.86) | 6.86 |
| US Dollars | 0.50 % | 0.50 % | (2.42) | 2.42 |
| **March 31, 2021** | | | | |
| Indian Rupees | 0.50% | 0.50% | (4.61) | 4.61 |
| US Dollars | 0.50% | 0.50% | (1.82) | 1.82 |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

### Foreign Currency exchange rate risk

The fluctuation in foreign currency exchange rates may have potential impact on the Statement of Profit and Loss and other comprehensive income and equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Group operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in US Dollar against the functional currencies of the Group. The Group, as per its risk management policy, uses derivative instruments primarily to hedge foreign exchange. The Group evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks. It hedges a part of these risks by using derivative financial instruments in line with its risk management policies. The information on derivative instruments is as follows:

**a) Forward Contract (Derivatives):**

Forward contract outstanding as at Balance Sheet date:

| | |
|---|---|
| March 31, 2022 Sell US $ 22,000,000 | Designated as fair value hedge – receivables |
| March 31, 2021 Sell US $ 38,330,386 | Designated as fair value hedge – receivables |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**b) Details of Unhedged Foreign Currency Exposure:**

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

| Particulars | Currency | March 31, 2022 | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Amount in Foreign currency | Amount in ₹ | Conversion rate | Amount in foreign currency | Amount in ₹ | Conversion rate |
| Secured loans | USD | 97,068,667 | 735.85 | 75.81 | 48,904,554 | 359.47 | 73.50 |
| | EURO | - | - | 84.66 | - | - | 86.10 |
| Unsecured loans | USD | 5,138,355 | 38.95 | 75.81 | 5,962,245 | 43.83 | 73.50 |
| Interest accrued but not due on borrowings | USD | 62,725 | 0.48 | 75.81 | 35,135 | 0.26 | 73.50 |
| Trade payables | USD | 22,332,306 | 169.29 | 75.81 | 60,552,312 | 445.09 | 73.50 |
| | EURO | 468,045 | 3.96 | 84.66 | 1,385,897 | 11.93 | 86.10 |
| | GBP | 79,533 | 0.79 | 99.55 | 124,778 | 1.26 | 100.95 |
| | CAD | - | - | 60.50 | 2,495 | 0.01 | 58.06 |
| | NAD | 83,714 | 0.04 | 5.21 | - | - | - |
| | AED | 11,450 | 0.01 | 10.86 | - | - | 10.86 |
| Capital creditors | USD | 517,286 | 3.80 | 73.50 | 1,237,099 | 9.09 | 73.50 |
| | GBP | 18,853 | 0.19 | 100.95 | 15,892 | 0.16 | 100.95 |
| | EURO | 631,132 | 5.43 | 86.10 | 127,057 | 1.09 | 86.10 |
| Trade receivables | USD | 76,439,292 | 576.24 | 75.39 | 62,920,920 | 462.50 | 73.50 |
| | EURO | 8,273,530 | 68.71 | 83.05 | 3,479,436 | 29.96 | 86.10 |
| | GBP | 157,624 | 1.47 | 93.08 | - | - | 93.08 |
| | CAD | 1,506,862 | 8.02 | 53.20 | 915,418 | 4.87 | 53.20 |
| Cash and cash equivalents* | USD | 5,247,377 | 39.56 | 75.39 | 5,014,268 | 37.80 | 75.39 |
| | EURO | 13,363 | 0.11 | 83.05 | 10,170 | 0.09 | 86.10 |

* Amount less than Indian Rupees 100,000

**c) Foreign currency sensitivity:**

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EURO exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Group's exposure to foreign currency changes for all other currencies is not material.

| | Change in forex rate | | Effect on profit before tax | |
|---|---|---|---|---|
| | Increase | Decrease | Increase/(Decrease) | |
| **March 31, 2022** | | | | |
| USD | 1.00% | 1.00% | (3.29) | 3.29 |
| EURO | 1.00% | 1.00% | 0.60 | (0.60) |
| **March 31, 2021** | | | | |
| USD | 1.00% | 1.00% | (3.58) | 3.58 |
| EURO | 1.00% | 1.00% | 0.17 | (0.17) |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

**d) Hedges of highly probable forecasted transactions:**

In respect of hedges of highly probable forecasted transactions, the Company recorded, as a component of equity, a net loss of ₹ Nil for the year ended March 31, 2022 (for the year ended March 31, 2021: ₹ Nil).

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact is ₹ Nil as at March 31, 2022 (as at March 31, 2021: ₹ Nil).

The below table summarises the periods when the cash flows associated with highly probale forecasted transactions that are classified as cash flow hedges are expected to occur.

USD Million

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Not later than one month | - | - |
| Later than one month and not later than three months | - | - |
| More than three months and not later than twelve months | - | - |
| **Total** | - | **-** |

**e) Impact of COVID-19 (Global pandemic)**

The Group basis their assessment believes that the probability of the occurrence of their forecasted transactions is not impacted by COVID-19 pandemic. The Group has also considered the effect of changes, if any, in both counterparty credit risk and own credit risk while assessing hedge effectiveness and measuring hedge ineffectiveness. The Group continues to believe that there is no impact on effectiveness of its hedges.

## 38. Group Information

### Information about subsidiaries

The consolidated financial statements of the Group includes subsidiaries listed in the table below:

| Name | Principal activities | Country of incorporation | March 31, 2022 | March 31, 2021 |
|---|---|---|---|---|
| Laurus Synthesis Inc. (Refer note 1) | Chemistry, IP Development and related services to the global Pharmaceutical community | USA | - | - |
| Sriam Labs Private Limited | Active Pharmaceutical Ingredients (APIs) and Intermediates | India | 100 % | 100 % |
| Laurus Synthesis Private Limited (Refer note 3) | Contract Development & Manufacturing Organisation (CDMO) | India | 100 % | 100 % |
| Laurus Bio Private Limited (Refer note 2) | Develops novel enzymatic solutions for Industrial Biotechnology and Animal Origin Free recombinant proteins and enzymes for Biopharma. | India | 76.60 % | 79.21 % |
| Laurus Holdings Limited | Business support services in the fields of pharmaceuticals | UK | 100 % | 100 % |
| Laurus Generics Inc. (Refer note 1) | Pharmaceutical and related services | USA | 100 % | 100 % |
| Laurus Generics GmbH | Pharmaceutical and related services | Germany | 100 % | 100 % |
| Laurus Generics SA (Pty.) Ltd. (Refer note 4) | Pharmaceutical and related services | South Africa | 100 % | 100 % |
| Immunoadoptive Cell Therapy Private Limited (Note 5) | Advanced cell and gene therapy | India | 18.94 % | - |

1) During the year ended March 31, 2021, Laurus Synthesis Inc. USA ( 100% wholly-owned subsidiary of the Company) has been merged with Laurus Generics Inc. USA (Step-down subsidiary of the Company) with effect from September 30, 2020.

2) During the year ended March 31, 2021, the Company acquired 79.21% stake in Laurus Bio Private Limited (Formerly known as Richcore Lifesciences Private Limited)

3) During the year ended March 31, 2021, the Company incorporated wholly-owned subsidiary, Laurus Synthesis Private Limited (LSPL) in India.

4) During the year ended March 31, 2021, the Company acquired 100% shares of Phekolong Pharmaceuticals Pty. Ltd, (renamed as Laurus Generics SA (Pty.) Ltd.) a wholly-owned subsidiary of Pharmacare Limited t/a Aspen Pharmacare, South Africa.

5) During the year ended March 31, 2022, the Company entered into an investment agreement with Immunoadoptive Cell Therapy Private Limited, (''ImmunoACT") to acquire 26.62% stake, subject to completion of conditions precedent, for agreed consideration of ₹ 46 crore. As on March 31, 2022, the Company invested ₹ 27.60 crore representing 996 equity shares of ₹ 10/- each fully paid-up and 3,983 compulsorily convertible preference shares of ₹ 10/- each of which ₹ 5/- paid-up, with a stake of 18.94%.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 39. Business combination

**Acquisitions/Merges during the year ended March 31, 2021:**

**A) Merger of Laurus Synthesis Inc. USA with Laurus Generics Inc. USA:**

During the year ended March 31, 2021, Laurus Synthesis Inc. USA ( 100% wholly-owned subsidiary of the Company) has been merged with Laurus Generics Inc. USA (Step-down subsidiary of the Company) with effect from September 30, 2020. The Company accounted for the business combination in accordance with the requirement of Appendix C of Ind AS 103 Business Combination which lays down the principles in respect of accounting for business combinations of entities or businesses under common control. As required by the standard, pooling of interest method has been considered for common control business combination and accordingly, the assets and liabilities are reflected in the books of the Company at their respective carrying amounts. There is no impact of this transaction on the consolidated financial statements. For 30,000 Equity shares of USD 100/- each of Laurus Synthesis Inc., 6,100 Equity shares of USD 100/- each of Laurus Generics Inc., have been allotted based on the share exchange ratio of 1:0.2033.

**B) Acquisition of Phekolong Pharmaceuticals Pty. Ltd., South Africa:**

During the year ended March 31, 2021, the Company acquired 100% shares of Phekolong Pharmaceuticals Pty. Ltd., (renamed as Laurus Generics SA (Pty) Ltd.) a wholly-owned subsidiary of Pharmacare Limited t/a Aspen Pharmacare, South Africa, by way of cash consideration of ZAR 75,000. The Company recorded a Goodwill amount of ₹0.03 crore

**C) Laurus Synthesis Private Limited acquired a bulk drug manufacturing unit from Phalanx Labs Private Limited:**

During the current year ended March 31, 2021, the Company entered into a Business transfer agreement and acquired a bulk drug manufacturing unit from Phalanx Labs Private Limited, located at Visakhapatnam, on a slump sale basis for a lump sum consideration of ₹ 61 crore, w.e.f. June 01, 2020. The Company accounted for the business combination in accordance with the requirement of Ind AS 103 Business Combination which lays down the principles in respect of accounting for business combinations. Accordingly, assets acquired has been recorded at fair values (Property, plant and equipments ₹ 60 crore and other assets ₹ 1 crore).

**D) Acquisition of stake in stake in Laurus Bio Private Limited (Formerly known as Richcore Lifesciences Private Limited):**

During the current year ended March 31, 2021, the Company acquired 72.55% stake in Laurus Bio Private Limited ['Laurus Bio'] (Formerly known as Richcore Lifesciences Private Limited) on January 20, 2021. for a consideration of ₹ 246.67 crore. Laurus Bio became the subsidiary w.e.f. January 20, 2021.

Business combinations are accounted for using the purchase (acquisition) method as per the provisions of Ind AS 103, Business Combinations. The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed

**Assets acquired and liabilities assumed**

Fair value of identifiable assets acquired and liabilities assumed as on the date of acquisition is as below:

| Component | Fair value as on acquisition date |
|---|---|
| Property, plant and equipment | 16.76 |
| Right-of-use assets | 5.06 |
| Intangible assets | 0.15 |
| Non-current assets | 25.46 |
| Current assets * | 18.99 |
| **Total Assets (i)** | **66.42** |
| Non-current liabilities | 10.78 |
| Current liabilities | 41.66 |
| **Total Liabilities (ii)** | **52.44** |
| Fair value of identifiable net assets (i-ii) | 13.98 |
| Goodwill | 236.53 |
| Less: Non-controlling interest | (3.84) |
| **Total purchase price** | **246.67** |

* Includes cash and cash equivalents acquired ₹2.16 crore

The Company further acquired 6.66% stake on February 10, 2021 for a consideration of ₹ 13.77 crore. Accordingly an amount of ₹ 0.93 crore has been adjusted to non-controlling interest and balance amount of ₹ 12.84 crore has been adjusted to other equity. As at March 31, 2022 the Company holds 76.60% (March 31, 2021: 79.21%) stake in Laurus Bio Private Limited.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 40. Capital management

For the purpose of the Group's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group intends to keep the gearing ratio between 0.5 to 1.5. The Group includes within net debt, borrowings including interest accrued on borrowings, less cash and short-term deposits.

| | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Borrowings including interest accrued on borrowings (Note 13) | 1,735.58 | 1,455.56 |
| Less: cash and cash equivalents; other balances with banks (Note 10A and 10B) | (75.94) | (48.46) |
| **Net debt** | **1,659.64** | **1,407.10** |
| Equity | 107.47 | 107.32 |
| Other equity | 3,243.72 | 2,490.23 |
| **Total Equity** | **3,351.19** | **2,597.55** |
| Gearing ratio (Net debt/ Total equity) | 0.50 | 0.54 |

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

No changes were made in the objectives, policies or processes for managing capital during the year ended March 31, 2022.

## 41. Commitments and Contingencies

### A. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Operating lease commitments – Group as lessee**

The Group recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate.

The Group has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

**Transition to Ind AS 116**

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

The Group has adopted Ind AS 116, effective annual reporting period beginning April 01, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 01, 2019). Accordingly, the Group has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on April 01, 2019. On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) of ₹44.85 crore and a lease liability of ₹ 23.25 crore. The cumulative effect of applying this standard resulted in ₹ 0.22 crore being debited to retained earnings (net of taxes).

**Following are the changes in the carrying value of right of use assets for the year ended March 31, 2022 and March 31, 2021**

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Opening Balance | 55.16 | 42.89 |
| Additions | 87.41 | 9.46 |
| Additions through business combination | - | 5.06 |
| Depreciation | (4.51) | (2.25) |
| **Closing Balance** | **138.05** | **55.16** |

The aggregate depreciation expense on ROU assets is included under depreciation and amortisation expense in the statement of profit and loss

**The following is the movement in lease liabilities during the year ended March 31, 2022 and March 31, 2021**

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Opening Balance | 28.49 | 22.55 |
| Additions | 87.41 | 9.46 |
| Additions through business combination (refer note no. 39) | - | 5.06 |
| Finance cost accrued during the year | 2.32 | 2.09 |
| Payment of lease liabilities | (73.59) | (10.67) |
| **Closing Balance** | **44.63** | **28.49** |

**The following is the break-up of current and non-current lease liabilities as at March 31, 2022 and March 31, 2021**

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Non-current lease liabilities | 39.63 | 26.27 |
| Current lease liabilities | 5.00 | 2.22 |
| **Total** | **44.63** | **28.49** |

**The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2022 and March 31, 2021 on discounted basis**

| Particulars | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Within one year | 5.01 | 2.22 |
| After one year but not more than five years | 22.97 | 6.85 |
| More than five years | 16.66 | 19.42 |

## B. Commitments

| | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 333.21 | 434.11 |

## C. Contingent Liabilities

| | | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| (i) | Outstanding bank guarantees (excluding performance obligations) | 44.47 | 51.98 |
| (ii) | Claims arising from disputes not acknowledged as debts – direct taxes | 13.25 | 11.19 |
| (iii) | Claims arising from disputes not acknowledged as debts – indirect taxes | 53.51 | 50.90 |
| (iv) | On account of provident fund liability | 7.57 | 7.57 |

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 42. Other statutory information

i) The Group does not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.

ii) The Group does not have any transactions with companies struck off.

iii) The Group does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.

iv) The Group has not traded or invested in Crypto currency or Virtual Currency during the financial year.

v) The Group has not been declared wilful defaulter by any bank or financial institution or government or any government authority.

vi) The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries

vii) The Group has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries

viii) The Group does not any such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961.

# Notes to Financial Statements for the year ended March 31, 2022

(All amounts in crore rupees except for share data or as otherwise stated)

## 43. Summary of net assets and profit and loss:

| Name of the entity | Net Assets* | | | | Share in Profit/ (Loss) | | | | Share in other comprehensive income | | | | Share in total comprehensive income | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount | As % of consolidated net assets | Amount | As % of consolidated profit/ (loss) | Amount | As % of consolidated profit/ (loss) | Amount | As % of consolidated other comprehensive income | Amount | As % of consolidated other comprehensive income | Amount | As % of consolidated total comprehensive income | Amount | As % of consolidated total comprehensive income | Amount |
| | March 31, 2022 | | March 31, 2021 | | March 31, 2022 | | March 31, 2021 | | March 31, 2022 | | March 31, 2021 | | March 31, 2022 | | March 31, 2021 | |
| **A. Parent** | 100.05 % | 3,360.81 | 104.29 % | 2,712.24 | 90.13 % | 750.09 | 97.18 % | 956.11 | 87.91 % | 0.80 | 101.98 % | 5.12 | 90.11 % | 750.89 | 97.21 % | 961.23 |
| **B. Subsidiary incorporated in India** | | | | | | | | | | | | | | | | |
| Sriam Labs Private Limited | 1.13 % | 38.12 | 0.97 % | 25.31 | 1.52 % | 12.69 | 1.05 % | 10.35 | 13.19 % | 0.12 | -2.59 % | (0.13) | 1.54 % | 12.81 | 1.03 % | 10.22 |
| Laurus Synthesis Private Limited | 0.55 % | 18.49 | -0.49 % | (12.78) | 3.76 % | 31.26 | -1.31 % | (12.88) | 0.00 % | - | 0.00 % | - | 3.75 % | 31.26 | -1.30 % | (12.88) |
| Laurus Bio Private Limited | 1.02 % | 34.18 | 0.54 % | 14.05 | 2.42 % | 20.13 | 0.09 % | 0.84 | -1.10 % | (0.01) | 0.60 % | 0.03 | 2.41 % | 20.12 | 0.09 % | 0.87 |
| **C. Subsidiary incorporated outside India** | | | | | | | | | | | | | | | | |
| Laurus Synthesis Inc. | - | - | 0.00 % | - | 0.00 % | - | 1.31 % | 12.92 | - | - | - | - | 0.00 % | - | 1.31 % | 12.92 |
| Laurus Holdings Limited | 0.71 % | 23.91 | 0.29 % | 7.58 | 0.22 % | 1.79 | 1.83 % | 18.00 | - | - | - | - | 0.21 % | 1.79 | 1.82 % | 18.00 |
| Laurus Generics SA (Pty) Limited | 0.71 % | 24.01 | 0.00 % | (0.02) | 2.79 % | 23.21 | 0.00 % | (0.02) | | | | | 2.79 % | 23.21 | 0.00 % | (0.02) |
| **Total** | **104.18%** | **3,499.52** | **105.60%** | **2,746.37** | **100.83%** | **839.17** | **100.15%** | **985.32** | **100%** | **0.91** | **100.00%** | **5.02** | **100.81%** | **840.08** | **100.15%** | **990.34** |
| Non-controlling interest | 0.23 % | 7.86 | 0.12 % | 3.15 | 0.57 % | 4.71 | 0.02 % | 0.24 | - | - | - | - | 0.57 % | 4.71 | 0.02 % | 0.24 |
| **D. Associate** | | | | | | | | | | | | | | | | |
| Immunoadoptive Cell Therapy Private Limited | 0.82 % | 27.40 | - | - | -0.02 % | (0.20) | - | - | - | - | - | - | - | - | - | - |
| Consolidation adjustments | -5.23 % | (175.73) | -5.60 % | (148.82) | -1.37 % | (11.44) | -0.15 % | (1.74) | 2.21 % | - | 0.00 % | - | -1.38 % | (11.50) | -0.18 % | (1.75) |
| **Net amount** | **100.00%** | **3,359.04** | **100.00%** | **2,600.70** | **100.00%** | **832.23** | **100.00%** | **983.82** | **100.00%** | **0.91** | **100.00%** | **5.02** | **100.00%** | **833.26** | **100.00%** | **988.83** |

* Net assets means total assets minus total liabilities excluding shareholders funds.

**Note:**

The disclosure as above represents separate information for each of the consolidated entities before elimination of inter-company transactions. The net impact on elimination of inter-company transactions/profits/consolidation adjustments have been disclosed separately. Based on the group structure, the management is of the view that the above disclosure is appropriate under requirements of the Companies Act, 2013.

## 44. Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current period's classification in order to comply with the requirements of the amended Schedule III to the Companies Act, 2013 effective 1st April, 2021.

For and on behalf of the Board of Directors
**LAURUS LABS LIMITED**

**Dr. C. Satyanarayana**
Whole Time Director & Chief Executive Officer
DIN: 00211921

**V. V. Ravi Kumar**
Executive Director & Chief Financial Officer
DIN: 01424180

Place: Hyderabad
Date: April 28, 2022

**G. Venkateswar Reddy**
Company Secretary

## Laurus Labs Limited

Regd. Office: Plot No. 21, Jawaharlal Nehru Pharma City, Parawada, Visakhapatnam – 531 021
Corp. Office: 2nd Floor, Serene Chambers, Road No. 7, Banjara Hills, Hyderabad – 500 034
CIN No. L24239AP2005PLC047518

# NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of Laurus Labs Limited (the **Company**) will be held through Video Conferencing (VC) **at 4.00 p.m. on Thursday the day of June 30, 2022**, to transact the following business:

## ORDINARY BUSINESS :

1. To consider and adopt the audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2022, the reports of Board of Directors and Auditors thereon

2. To consider and adopt the audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2022 and report of Auditors thereon.

3. To approve and ratify the 1st interim dividend on equity shares @ ₹0.80 per share already paid for the Financial Year 2021-22.

4. To approve and ratify the 2nd interim dividend on equity shares @ ₹1.20 per share already paid for the Financial Year 2021-22.

5. To appoint a Director in place of Mr. Chandrakanth Chereddi (DIN: 06838798) who retires by rotation and, being eligible, offers himself, for re-appointment.

6. To appoint a Director in place of Mr. V. V. Ravi Kumar (DIN: 01424180) who retires by rotation and, being eligible, offers himself, for re-appointment.

7. To consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of the Section 139(1) and 142(1) and other applicable provisions, if any, of the Companies Act, 2013 read with Rules made thereunder including any recent amendments thereof, M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, (Institute of Chartered Accountant of India Firm Registration Number 117366W/W-100018) be and are hereby re-appointed as Statutory Auditors of the Company for a period of five years who shall hold the office from the conclusion of this 17th AGM till the conclusion of 22nd AGM to be held in the year 2027, at a remuneration as may be determined by the Board of directors of the Company.

   "**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution."

## SPECIAL BUSINESS:

### 8. TO APPROVE THE REMUNERATION PAYABLE TO COST AUDITORS FOR THE FINANCIAL YEAR ENDING 2022-23

To consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and rules made thereunder, the Cost Auditors, M/s. Sagar & Associates, appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the Financial year 2022-23, be paid a remuneration of ₹5,50,000/- (Rupees Five lakh and Fifty thousand only) per annum and out of pocket & other expenses and GST at actuals."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution."

### 9. REAPPOINTMENT OF DR. MALEMPATI VENUGOPALA RAO AS INDEPENDENT DIRECTOR FOR A FURTHER PERIOD OF 2 YEARS

To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

**"RESOLVED THAT** in terms of Section149 read with Schedule IV of the Companies Act, 2013 together with applicable rules and provisions made thereunder and pursuant to SEBI (LODR) Regulations, 2015 and in terms of Articles of Association of the Company, consent of the Members of the Company be and is hereby accorded for re-appointment of Dr. Malempati Venugopala Rao having Director Identification Number 00012704, as Independent Director of the Company for a further period of 2 (two) years with effect from May 18, 2022 i.e. up to May 17, 2024."

"**RESOLVED FURTHER THAT** Dr. Satyanarayana Chava, Executive Director & CEO of the Company, and Mr. V. V. Ravi Kumar, Executive Director & CFO of the Company and Mr. G. Venkateswar Reddy, Company Secretary of the Company be and are hereby severally authorised to do all the needful activities in this regard including any filings with the Registrar of Companies, Andhra Pradesh."

**10. REAPPOINTMENT OF DR. RAVINDRANATH KANCHERLA AS INDEPENDENT DIRECTOR FOR A FURTHER PERIOD OF 5 YEARS**

To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"**RESOLVED THAT** in terms of Section.149 read with Schedule IV of the Companies Act, 2013 together with applicable rules and provisions made thereunder and pursuant to SEBI (LODR) Regulations, 2015 and in terms of Articles of Association of the Company, consent of the Members of the Company be and is hereby accorded for re-appointment of Dr. Ravindranath Kancherla having Director Identification Number 00117940, as Independent Director of the Company for a further period of 5 years with effect from May 18, 2022 i.e. up to May 17, 2027"

"**RESOLVED FURTHER THAT** Dr. Satyanarayana Chava, Executive Director & CEO of the Company, and Mr. V. V. Ravi Kumar, Executive Director & CFO of the Company and Mr. G. Venkateswar Reddy, Company Secretary of the Company be and are hereby severally authorised to do all the needful activities in this regard including any filings with the Registrar of Companies, Andhra Pradesh"

By order of the Board
**Laurus Labs Limited**

**G. Venkateswar Reddy**
Company Secretary

## Regd. Office:

Plot No.21,
Jawaharlal Nehru Pharma City,
Parawada,
Visakhapatnam – 531 021
E-mail: secretarial@lauruslabs.com

Place: Hyderabad
Date: April 28, 2022

**Notes:**

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of Special Business set out above is annexed hereto and forms part of the Notice.

2. Brief resume of Directors proposed to be appointed/ re- appointed, (in item nos. 5,6,9 &10) nature of their expertise in specific functional areas, name of companies in which they hold directorships and membership/ chairmanships of Board Committees and shareholding in the Company as stipulated under SEBI (LODR) Regulations, 2015 are provided as an Annexure to this notice and also in the Report on Corporate Governance forming part of the Annual Report.

3. In view of the outbreak of the COVID-19 pandemic, Ministry of Corporate Affairs (MCA), Government of India, vide circular Nos. Circular No. 14/2020 dated April 08, 2020, Circular No.17/2020 dated April 13, 2020 read with Circular No. 20/2020 dated May 05, 2020, allowed companies to hold their AGM through Video Conferencing (VC) and vide its General Circular No.21/2021 dated December 14, 2021 MCA allowed the companies to conduct their Annual General Meetings on or before June 30, 2022 through video conferencing (VC) or other Audio Visual Means (OAVMs) in accordance with the requirements in paragraphs 3 and 4 of the General Circular No. 20/2020.

4. Accordingly, in compliance with the applicable provisions of the Companies Act, 2013 read with the aforesaid circulars issued by MCA, the 17th Annual General Meeting of the Company shall be conducted through Video Conferencing (VC) to be referred to as "e-AGM".

5. The Company has appointed M/s. National Securities Depository Limited (NSDL) to provide Video Conferencing facility for the e-AGM

6. In the e-AGM:

   a) Members can attend the meeting through log in credentials provided to them to connect to Video Conference. Physical attendance of the Members at the Meeting venue is not required.

   b) Appointment of proxy to attend and cast vote on behalf of the member is not available.

   c) Body Corporates are entitled to appoint authorised representatives to attend the e-AGM through VC and participate thereat and cast their votes through e-voting.

7) The Register of Members and Share Transfer Books of the Company will remain closed from June 24, 2022 to June 30, 2022 (both days inclusive) for the purpose of Annual General Meeting.

8) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company/RTA.

9) Members are requested to note that the dividend remaining unclaimed for a continuous period of seven years from the date of transfer to the Company's Unpaid Dividend Account shall be transferred to the Investor Education and Protection Fund (IEPF). In addition, all equity shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company to demat account of the IEPF authority within a period of thirty days of such equity shares becoming due to be transferred to the IEPF. In the event of transfer of equity shares and the unclaimed dividends to IEPF, Members are entitled to claim the same from IEPF authority by submitting an online application in the prescribed Form IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same duly signed to the Company along with the requisite documents enumerated in Form IEPF-5. Members can file only one consolidated claim in a financial year as per the IEPF rules.

10) Pursuant to Rule 5(8) of Investor Education and Protection Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company has uploaded details of unpaid and unclaimed amounts lying with the Company as on July 15, 2021 (date of last AGM) on its website at www.lauruslabs.com and also on the website of the Ministry of Corporate Affairs.

11) The Notice calling the e-AGM has been uploaded on the website of the Company at www.lauruslabs.com. The Notice can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively.

12) The Members can join the e-AGM 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice.

13) Up to 1,000 members will be able to join on a First Come First Serve basis to the e-AGM.

14) No restrictions on account of First Come First Serve basis entry into e-AGM in respect of large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc.

15) The attendance of the Members (members' logins) attending the e-AGM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

16) **Remote e-Voting:** Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), the Company is providing facility of remote e-voting to its Members through e-Voting agency M/s. National Securities Depository Limited (NSDL).

17) Voting at the e-AGM: Members who could not vote through remote e-voting may avail the e-voting system provided in the e-AGM by M/s. National Securities Depository Limited (NSDL).

18) The Statutory Registers and the documents pertaining to the items of business to be transacted at the AGM are available for inspection in electronic mode. The shareholders may write an e-mail to secretarial@lauruslabs.com and the Company shall respond suitably.

## Instructions for the Members for attending the e-AGM through Video Conference:

1. Member will be provided with a facility to attend the EGM/AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for Access to NSDL e-Voting system. After successful login, you can see link of "VC/OAVM link" placed under "Join General meeting" menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

2. Members are encouraged to join the Meeting through Laptops for better experience.

3. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

4. Please note that Participants connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

5. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker may send their request mentioning their name, demat account number/folio number, e-mail id, mobile number at secretarial@lauruslabs.com.

6. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, e-mail id, mobile number at secretarial@lauruslabs.com. The same will be replied by the company suitably.

7. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

## Instructions for members for remote e-Voting

8. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and as per the requirements of the SEBI (LODR) Regulations 2015, your Company is pleased to provide members facility to exercise their right to vote at the 17th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by M/s. National Securities Depository Limited.

9. The remote e-voting period begins on June 27, 2022 at 09:00 a.m. and ends on June 29, 2022 at 05:00 p.m. and the remote e-voting module shall be disabled by NSDL for voting thereafter.

10. The Instructions for remote voting are as under:

### How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

### Step 1: Access to NSDL e-Voting system

**A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode:**

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and e-mail Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

| Type of shareholders | Login Method |
|---|---|
| Individual Shareholders holding securities in demat mode with NSDL. | (i) Existing **IDeAS** user can visit the e-Services website of NSDL viz. https://eservices.nsdl.com either on a Personal Computer or on a mobile. On the e-Services home page click on the **"Beneficial Owner"** icon under **"Login"** which is available under 'IDeAS' section, this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on **"Access to e-Voting"** under e-Voting services and you will be able to see e-Voting page. Click on company name or **e-Voting service provider i.e. NSDL** and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.<br>(ii) If you are not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select **"Register Online for IDeAS Portal"** or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp<br>(iii) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or **e-Voting service provider i.e. NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.<br>(iv) Shareholders/Members can also download NSDL Mobile App **"NSDL Speede"** facility by scanning the QR code mentioned below for seamless voting experience.<br>**NSDL Mobile App is available on**<br>App Store Google Play |

| Type of shareholders | Login Method |
|---|---|
| Individual Shareholders holding securities in demat mode with CDSL | 1. Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi.<br>2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of **e-Voting service provider i.e. NSDL**. Click on **NSDL** to cast your vote.<br>3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration<br>4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. **NSDL** where the e-Voting is in progress. |
| Individual Shareholders (holding securities in demat mode) login through their depository participants | You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

| Login type | Helpdesk details |
|---|---|
| Individual Shareholders holding securities in demat mode with NSDL | Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30 |
| Individual Shareholders holding securities in demat mode with CDSL | Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 022-23058542-43 |

## B) Login Method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

### How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

   Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
4. Your User ID details are given below :

| Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical | Your User ID is: |
|---|---|
| a) For Members who hold shares in demat account with NSDL. | 8 Character DP ID followed by 8 Digit Client ID |
| For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******. | |
| b) For Members who hold shares in demat account with CDSL. | 16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12************** |
| c) For Members holding shares in Physical Form. | EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001*** |

5. Password details for shareholders other than Individual shareholders are given below:
   a) If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.
   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the ‘initial password’ which was communicated to you. Once you retrieve your ‘initial password’, you need to enter the ‘initial password’ and the system will force you to change your password.

c) How to retrieve your 'initial password'?

- If your e-mail ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your e-mail ID. Trace the e-mail sent to you from NSDL from your mailbox. Open the e-mail and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
- If your e-mail ID is not registered, please follow steps mentioned below in **process for those shareholders whose e-mail ids are not registered.**

6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:

   a) Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

   b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address etc.

   d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

**Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.**

**How to cast your vote electronically and join General Meeting on NSDL e-Voting system?**

(i) After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.

(ii) Select "EVEN" of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join General Meeting".

(iii) Now you are ready for e-Voting as the Voting page opens.

(iv) Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

(v) Upon confirmation, the message "Vote cast successfully" will be displayed.

(vi) You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

(vii) Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General guidelines for shareholders**

(i) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the Scrutiniser by e-mail to yravifcs@gmail.com with a copy marked to evoting@nsdl.co.in.

(ii) It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

(iii) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request by e-mail to evoting@nsdl.co.in

**10. Process for those shareholders whose e-mail ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:**

(i) In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by e-mail to secretarial@lauruslabs.com and evoting@nsdl.co.in.

(ii) In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to secretarial@lauruslabs.com and evoting@nsdl.co.in. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the **login method explained at step 1 (A) i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.**

(iii) Alternatively shareholder/members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.

(iv) In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and e-mail ID correctly in their demat account in order to access e-Voting facility.

**Instructions for members for e-Voting during the e-AGM session:**

11. The procedure for e-Voting on the day of the e-AGM is same as the instructions mentioned above for remote e-voting.
12. Only those Members/ shareholders, who will be present in the e-AGM through Video Conference facility and have not casted their vote through remote e-Voting are eligible to vote through e-Voting in the e-AGM and they can exercise their vote while they are connected in the Video Conference by following the guidelines provided therein.
13. However, members who have voted through Remote e-Voting will be eligible to attend the e-AGM.
14. The Board of Directors of the Company has appointed Mr.Y.Ravi Prasada Reddy, Proprietor of RPR Associates, a Practicing Company Secretary, as scrutiniser to scrutinise the remote e-voting process and voting at the meeting in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for the said purpose.
15. The voting rights shall be reckoned on the paid-up value of shares registered in the name of the member/ beneficial owner (in case of electronic shareholding) as on the cut-off date i.e. June 23, 2022.
16. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date i.e. June 23, 2022 only shall be entitled to avail the facility of remote e-voting/ e-voting at the meeting.
17. Any person who becomes a member of the Company after dispatch of the Notice of the meeting and holding shares as on the cut-off date may obtain the USER ID and Password by sending an e-mail request to evoting@nsdl.co.in.
18. The Scrutiniser, after scrutinising the votes cast at the meeting and through remote e-voting, will, not later than three days of conclusion of the meeting, make a consolidated Scrutiniser's Report and submit the same to the Chairman. The results declared along with the consolidated scrutiniser's report shall be placed on the website of the Company at www.lauruslabs.com. The results shall simultaneously be communicated to the Stock Exchanges.

## EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT 2013

### Item No. 8:

The Board, on the recommendation of the Audit Committee, has approved the appointment of M/s. Sagar & Associates, Cost Accountants, as Cost Auditors at a remuneration of ₹5,50,000/- (Rupees Five lakhs and Fifty thousand only) per annum plus out of pocket expenses at actuals and GST, to conduct the audit of the cost records of the Company for the financial year ending 31 March 2023.

In accordance with the provisions of the Section 148 of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be approved by the members of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No.8 of the Notice for approval of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2023.

The Board recommends the resolution set forth in the Item No. 8 of the Notice for approval of the members.

None of the Directors or Key Managerial Personnel or relatives of Directors and Key Managerial Persons are, in any way, concerned or interested, financially or otherwise, in this resolution.

### Item No. 9

**Re-appointment of Dr. Venugopala Rao Malempati as Independent Director**

Dr. Venugopala Rao Malempati was appointed as a Non-Executive Independent Director on the Board of the Company by the Members of the Company with effect from May 18, 2017.

Dr. M. Venu Gopala Rao is a B.Sc. (Hons) in Chemical Engineering from Andhra University, with a post-graduation in pulp and paper technology from the Forest Research Institute, Dehradun. He received advanced training in pulp and paper technology in the US and, subsequently, undergone one year of intensive training in rayon grade pulping at M/s. Snia Viscosa S.P.A. Italy, a pioneer in man-made fibre industry. Dr. Rao was the former Chairman of Indian Paper Makers Association and was a Director on the Boards of various companies of Nava Bharat Group.

In terms of Sections 149, 152 and 161 read with Schedule IV and other applicable provisions of the Companies Act, 2013, and the rules and regulations issued thereunder, each as amended, (the “Companies Act”) Dr. Venugopala Rao Malempati being eligible is proposed to be reappointed as an independent director for a further period of 2 consecutive years from May 18, 2022 to May 17, 2024. In the opinion of the Board, Dr. Venugopala Rao Malempati fulfils the conditions specified in the Companies Act for his appointment as an independent director of the Company and is independent of the management.

The Board recommends the resolution in relation to re- appointment of Dr. Venugopala Rao Malempati as an Independent Director, for the approval by the shareholders of the Company.

Except Dr. Venugopala Rao Malempati, being an appointee, none of the Directors, managers and key managerial personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 9.

### Item No. 10

**Re-appointment of Dr. Ravindranath Kancherla as Independent Director**

Dr. Ravindranath Kancherla was appointed as a Non-Executive Independent Director on the Board of the Company by the Shareholders of the Company with effect from May 18, 2017.

Dr. Kancherla is a world-renowned expert in surgical gastroenterology and laparoscopic surgery and is heading the Global Hospitals Group. He developed India’s most comprehensive hospital dedicated to gastroenterology and a centre to efficiently conduct the complicated procedure of organ transplantation. With extensive experience in surgeries, Dr. Ravindranath Kancherla has become an authority in liver, pancreatic and bile duct resections, revision gastric surgeries and reconstructive coloproctology. He has trained over 700 surgeons in laparoscopic procedures.

In terms of Sections 149, 152 and 161 read with Schedule IV and other applicable provisions of the Companies Act, 2013, and the rules and regulations issued thereunder, each as amended, (the “Companies Act”) Dr. Ravindranath Kancherla, being eligible, is proposed to be reappointed as an independent director for a further period of 5 consecutive years from May 18, 2022 to May 17, 2027. In the opinion of the Board, Dr. Ravindranath Kancherla fulfils the conditions specified in the Companies Act for his re-appointment as an independent director of the Company and is independent of the management.

The Board recommends the resolution in relation to re-appointment of Dr. Ravindranath Kancherla as an Independent Director, for the approval by the shareholders of the Company.

Except Dr. Ravindranath Kancherla, being an appointee, none of the Directors, managers and key managerial personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 10.

By order of the Board
**Laurus Labs Limited**

**G. Venkateswar Reddy**
Company Secretary

### Regd. Office:

Plot No.21,
Jawaharlal Nehru Pharma City,
Parawada,
Visakhapatnam – 531 021
E-mail: secretarial@lauruslabs.com

Place: Hyderabad
Date: April 28, 2022

# ANNEXURE

Details of Directors seeking appointment/re-appointment at the 17th Annual General Meeting of the Company to be held on June 30, 2022 [Pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

| Name of the Director | Mr. V. V. Ravi Kumar | Mr. Chandrakanth Chereddi | Dr. Venugopala Rao Malempati | Dr. Ravindranath Kancherla |
|---|---|---|---|---|
| Date of Birth | 1/7/1965 | 30-07-1983 | 20-12-1940 | 20-06-1954 |
| Age | 57 Years | 39 Years | 82 Years | 68 Years |
| Date of Appointment | 21-01-2006 | 8/3/2018 | 18-05-2017 | 18-05-2017 |
| Relationship with Directors and Key Managerial Personnel | No Relationship | Son-in-law of Dr. Satyanarayana Chava | No Relationship | No Relationship |
| Expertise in specific functional area* | Finance and Information Technology | Strategy | Administration | Pharmaceuticals |
| Qualifications | Fellow Member of Institute of Cost Accountants of India | Post-graduate from Indian School of Business | B.Sc. (Hons), PhD | PhD |
| Names of Listed Entities from which the Director has resigned in the past three years | NIL | NIL | Nava Bharat Ventures Limited w.e.f. 01.04.2019 | NIL |
| Board Membership of other listed companies as on March 31, 2022 | NIL | NIL | NIL | NIL |
| (a) Audit Committee | | Laurus Labs Ltd. – Member | Laurus Labs Ltd. – Chairman | |
| (b) Stakeholders Relationship Committee | Laurus Labs Ltd. - Member | Laurus Labs Ltd. - Chairman | | Laurus Labs Ltd. - Member |
| (c) Nomination and Remuneration Committee | | Laurus Labs Ltd. – Member | | Laurus Labs Ltd. - Chairman |
| (d) CSR Committee | Laurus Labs Ltd. – Chairman | Laurus Labs Ltd. – Member | | |
| (e) Other Committees | Risk Management Committee – Member | Risk Management Committee – Member | | |
| Number of equity shares held in the Company as on March 31, 2022 | 88994020 | 13850145 | 32600 | --- |

* For additional details on skills, expertise, knowledge and competencies of Directors, please refer to Corporate Governance Report forming part of the Annual Report

**Notes:**

1. The Directorship, Committee Memberships and Chairmanships do not include positions in foreign companies, unlisted companies and private companies, position as an advisory board member and position in companies under Section 8 of the Companies Act, 2013
2. Information pertaining to remuneration paid to the Directors who are being appointed/ re-appointed and the number of Board Meetings attended by them during the year 2021-22 have been provided in the Corporate Governance Report forming part of the Annual Report.

# Corporate Information

## Directors
Dr. M. Venu Gopala Rao
Dr. Satyanarayana Chava
Mr. V. V. Ravi Kumar
Dr. Lakshmana Rao C V
Mr. Chandrakanth Chereddi
Mrs. Aruna Bhinge
Dr. Rajesh Koshy Chandy
Dr. Ravindranath Kancherla

## Auditors
M/s. Deloitte Haskins & Sells LLP
Chartered Accountants, KRB Towers,
Plot No. 1 to 4& 4A 1st, 2nd &
3rd Floor, Jubilee Enclave Madhapur,
Hyderabad - 500 081

## Bankers
State Bank of India
Bank of Bahrain & Kuwait B.S.C.
CITI Bank NA
HDFC Bank Limited
Hongkong and Shanghai Banking Corporation (HSBC)
RBL Bank Limited
Axis Bank Limited
MUFG Bank Limited
DBS Bank India Limited

## Registered Office and Unit 01
**Drug Substance Facility**

Plot No.21
Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam - 531 021
Andhra Pradesh, India

## Unit 02
**Integrated Facility**

Plot Nos. 19, 20 & 21,
Gurjapalem APSEZ, Atchutapuram
Visakhapatnam - 531 011,
Andhra Pradesh, India

## Unit 03
**Drug Substance Facility**

Plot No.18
Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam - 531 021,
Andhra Pradesh, India

## Unit 04
**Drug Substance Facility**

Plot No.25, Lalamkoduru
Atchutapuram
Visakhapatnam - 531 011,
Andhra Pradesh, India

## Unit 05
**Drug Substance Facility**

Plot Nos.102 & 103, SEZ
Lemarthi, Parawada
Visakhapatnam - 531 021,
Andhra Pradesh, India

## Unit 06
**Drug Substance Facility**

Plot No.22, D&E, APSEZ de-notified area
Atchutapuram, Rambilli Mandal
Visakhapatnam - 531 011,
Andhra Pradesh, India

## Research & Development Centre
Plot No.DS1 & DS2, IKP Knowledge Park
Turkapally, Shameerpet
Hyderabad - 500 101, Telangana, India

## Subsidiaries
**Laurus Bio Private Limited**

Plot No-204 & 237,
Bommasandra-Jigani Link Road,
KIADB Industrial Area,
Bangalore - 560105
Karnataka, India

**Laurus Synthesis Private Limited– Manufacturing Unit:**

Plot No. 74B,
Jawaharlal Nehru Pharma City,
Parawada, Visakhapatnam - 531 021,
Andhra Pradesh, India

**Registered Office:**

2nd Floor, Serene Chambers,
Road No. 7, Banjara Hills,
Hyderabad - 500 034,
Telangana, India

**Sriam Labs Private Limited**

Sy No. 505, Padamati Somaram Road,
Bibinagar (Village & Mandal),
Yadadri Bhuvanagiri District,
Telangana - 508 126

**Laurus Holdings Limited**

Unit 32, City Business Centre
Hyde Street, Winchester Hants
United Kingdom, SO23 7TA

**Laurus Generics SA (Pty) Ltd.**

Building 8 Healthcare Park,
Woodlands Drive, Woodmead
Gauteng, 2191

## Step-down Subsidiaries
**Laurus Generics Inc.**

200 Bellevue Parkway, Suite 210
Wilmington, County of New Castle
United States of America, 19809

**Laurus Generics GmbH**

C/o. Alfred E. Tiefenbacher
Van-Der-Smissen-Strasse 1
Hamburg, DE, 22767

## Associate Company
**Immunoadoptive Cell Therapy Private Limited**

C/o. CM-05, SINE Office, 3rd Floor
CSRE Building, IIT Bombay, Powai
Mumbai - 400 076

LAURUS Labs

Knowledge . Innovation . Excellence


**Corporate Office**

2nd floor, Serene Chambers,
Road No. 7, Banjara Hills,
Hyderabad - 500 034, India.

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**Fax:** +91 40 3980 4320
**Email:** info@lauruslabs.com
**Website:** www.lauruslabs.com



**CIN:** L24239AP2005PLC047518