

July 7, 2022

To  
**BSE Limited**  
Phiroze Jeejeebhoy Towers, 25<sup>th</sup> Floor,  
Dalal Street, Mumbai - 400 001

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

**Scrip Code: 524558**

**Scrip Code: NEULANLAB; Series: EQ**

Dear Sir/Madam,

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

In terms of Regulation 34(1) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations 2015, please find enclosed herewith the Annual Report for the financial year 2021-22 and the same is also uploaded on the website of the Company at [www.neulandlabs.com](http://www.neulandlabs.com).

This is for your information and records.

Yours faithfully,  
For Neuland Laboratories Limited



**Sarada Bhamidipati**  
Company Secretary



NEULAND

WHERE OPPORTUNITY BECOMES REALITY



# Fortifying for a **STRONGER FUTURE**

2021-22 Annual Report

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## Cautionary Statement

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

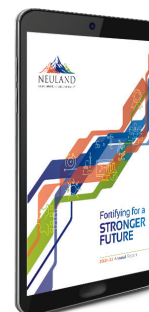
These forward-looking statements are dependent on assumptions, data or methods that may be incorrect or imprecise and hence may be incapable of being realised. Such statements are not guaranteed of future operating, financial and other results, but constitute our current expectations based on reasonable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

## Quantitative highlights for the year

₹ **953.2** Crores  
Total Revenue

₹ **144.3** Crores  
EBITDA

₹ **63.5** Crores  
Profit after Tax



To view this report online, please visit:  
[www.neulandlabs.com/investors/financial-reports/annual-reports/](http://www.neulandlabs.com/investors/financial-reports/annual-reports/)



# Fortifying for a **STRONGER FUTURE**

The global active pharmaceutical ingredient (API) sector is characterised by relentless change. To stay in business and remain competitive, it is important for organisations to continually strengthen themselves, evolve and be ready to respond to opportunities and risk.

At Neuland, the customer is at the centre of everything we do. From understanding their needs thoroughly to going beyond the stated requirements, we strive to ensure that our customers are delighted and remain competitive as our success depends on theirs.

As a global API service provider, ensuring quality APIs time and again is our responsibility and commitment to our customers. During FY 2022, the organisation created a practical framework of six key strategic priorities that will guide us to fortify our business capabilities, drive growth and deliver long-term sustainable value to all our stakeholders.

Aligning our capabilities more closely to meet customer needs, enhancing our manufacturing agility; building stronger project management teams, embedding digitalisation deeper into our business; nurturing and maintaining our leadership succession bench and developing a differentiated product portfolio, our strategic priorities are aimed at making us a stronger organisation.

**We are reinforcing our capabilities to drive business agility, better serve our customers and set our organisation on a firmer footing for sustained growth.**

**We are fortifying for a resilient future.**

# About Neuland



## WHO WE ARE

Established in 1984, Neuland Laboratories is a leading manufacturer of active pharmaceutical ingredients (APIs) and an end-to-end solutions provider for the pharmaceutical industry for chemistry-related services. Our expertise extends across generic API manufacturing, advanced intermediates as well as the development and commercialisation of API's for new chemical entities (NCEs). Supported by three world-class US FDA and EU GMP compliant manufacturing facilities and complex chemistry capabilities, Neuland has become a trusted partner for innovators as well as generics.

## WHERE WE ARE BASED

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

## OUR MARKETS

We are a reliable manufacturing and development partner to customers in over 80 countries across US, Europe, Japan, APAC, India, MENA and LATAM.

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*US FDA refers to the United States Food and Drug Administration, a federal agency of the Department of Health and Human Services.*

*Good manufacturing practice (GMP) describes the minimum standard that a medicines manufacturer must meet in their production processes. The European Medicines Agency (EMA) coordinates inspections to verify compliance with these standards and plays a key role in harmonising GMP activities at European Union (EU) level.*

*cGMP refers to the Current Good Manufacturing Practice regulations enforced by the FDA.*

## OUR BUSINESS VERTICALS

### Generic Drug Substances (APIs)

Our core business and operational expertise since inception has been the manufacturing of APIs. We have earned the identity of a preferred and reliable API supplier in the pharmaceutical industry primarily due to:

- Consistency in product quality
- Knowledge and ability to deal with niche chemistry
- On-time delivery performance

### Custom Manufacturing Solutions

Our deep understanding of complex chemical processes and manufacturing, derived from our proven expertise in chemical process development to

manufacturing at varied scales, enables us to deliver Custom development and manufacturing solutions. Our offerings span the full range of the pharmaceutical industry's chemistry requirements, from pre-IND through commercial manufacturing. We offer both small-scale clinical trial quantities and full commercial-scale supply with minimal technology transfer timelines. Our manufacturing facilities are compliant with cGMP requirements and meet environment and safety standards. The R&D facility is approved by the Department of Scientific and Industrial Research (DSIR), Government of India and inspected by the US FDA without any observations.

### Peptide Capabilities

Our peptide synthesis services include production of peptides from milligrams to multi-kilogram scale by standard sequential chemical peptide synthesis and segment condensation strategies. Neuland has expertise in solution phase synthesis, solid phase synthesis and hybrid technology for complex peptides. We are currently a supplier of high-quality peptide building blocks like Pseudoproline dipeptides and other complex Fmoc building blocks.

## OUR CORE VALUES

### The Neuland Way

We follow a strong set of ethical values, termed 'The Neuland Way', which spurs integrity and motivation among the workforce. An internal cultural survey highlighted that Neuland is a strong, ethical, quality conscious and value-based Company that is committed to making a difference in people's lives. The core of our business is built upon 5 values:

#### CUSTOMER CENTRICITY

Everything we do at Neuland, revolves around the customer. From understanding their needs thoroughly to going beyond the stated requirements, we strive to ensure that our customers are delighted with our products and services.

#### RELIABILITY

Reliability whilst delivering the promise consistently is our objective. We ensure we are reliable firstly by being consistently compliant (cGMP, EHS, HR, ISMS) both internally and externally. Secondly, to meet our customer's requirements and deliver on time we bring in place rigorous project planning and execution.

#### ACCOUNTABILITY

Being accountable and working with colleagues to problem solve are an essential part of our role. We all know that success is not built on a complacent business model. We need to be challenging how we do things and improving them to remain competitive. Our actions are always in tune with the environment and customer expectations.

#### OWNERSHIP

At Neuland, we encourage all our colleagues to be part of the solution and tackle all obstacles to complete the task in hand. Part of the reality at Neuland is being aware of the opportunity and possibility, then being able to deliver individually as well as in an open teamwork structure.

#### OPENNESS & TRANSPARENCY

Our clear, open and transparent culture at Neuland ensures all colleagues communicate and collaborate in the best possible way to achieve maximum results. We actively encourage the exchange of ideas and thoughts within a HR structure that applauds openness. Our project management models give maximum transparency to our customers.

## FAST FACTS

**38+**

years of experience

**100+**

APIs across 10 therapeutic areas

**80+**

countries served

**907 KL**

API manufacturing capacity

**916+**

DMFs filed worldwide

**75%**

revenue from exports

**62**

active US DMFs

**1,521**

Employees

## REVENUE SEGMENTS

3%

Others

30%

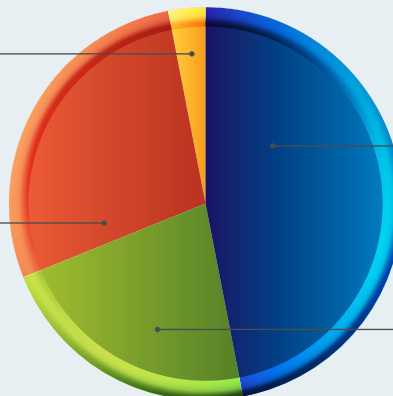
CMS

43%

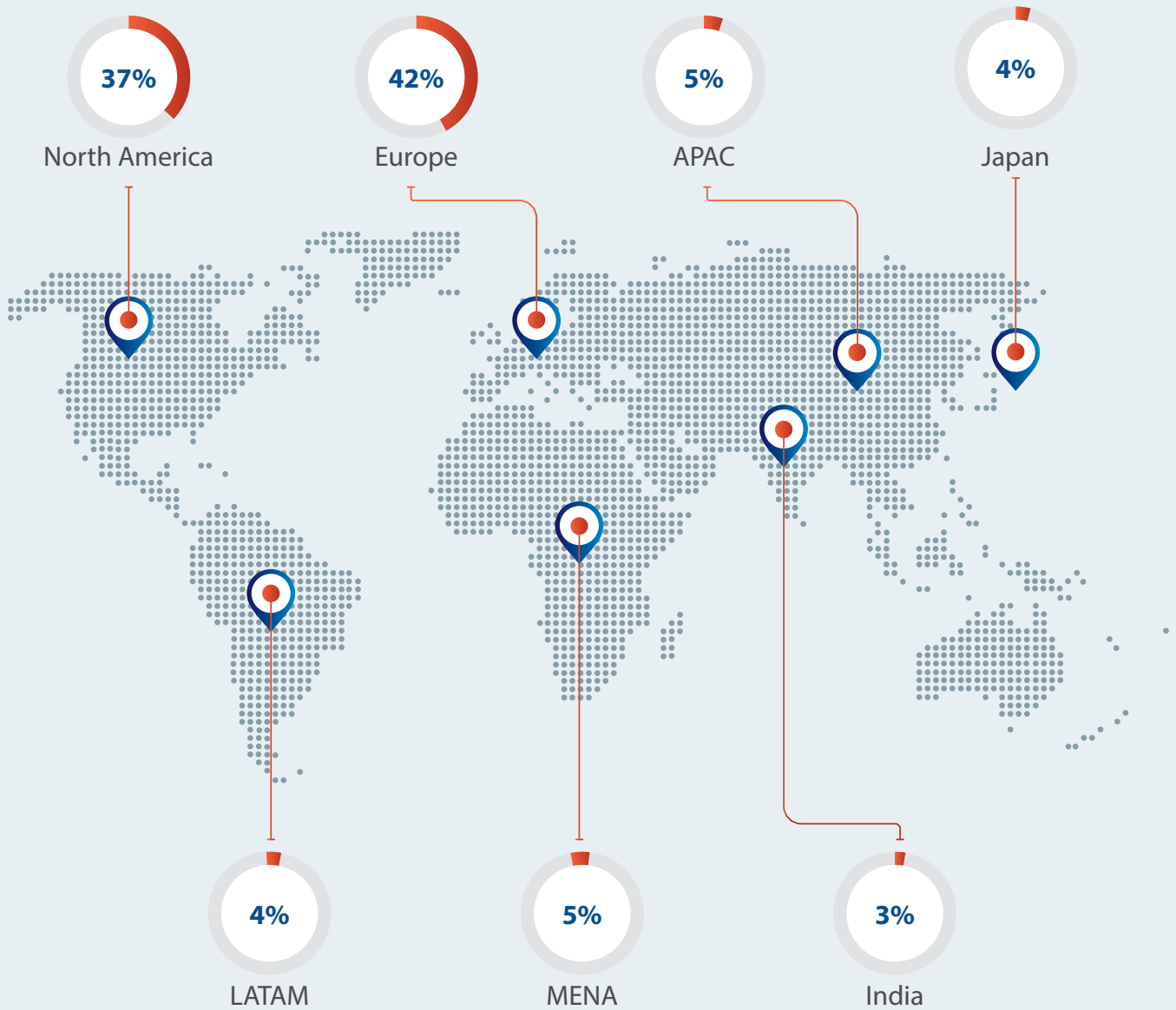
GDS - Prime

24%

GDS - Specialty



## OUR GLOBAL REACH



*% refers to FY 2022 sales by end market*

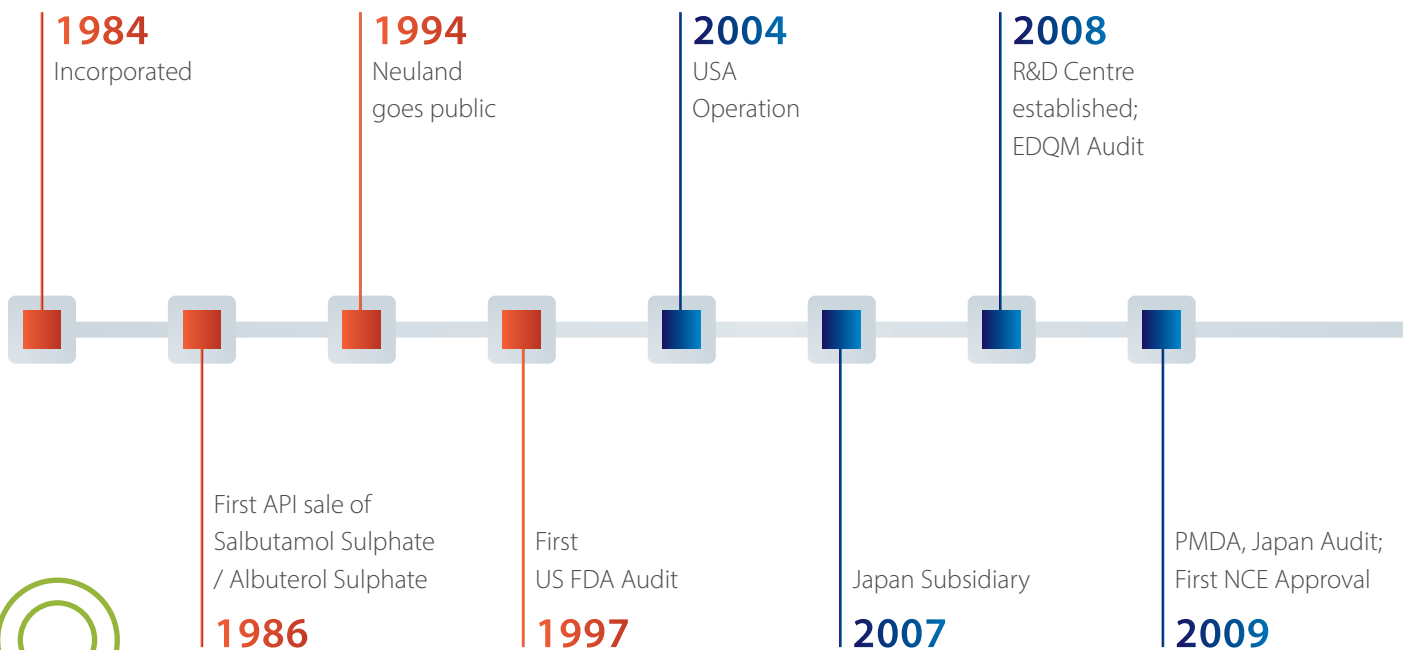


# Our Journey – Key Milestones

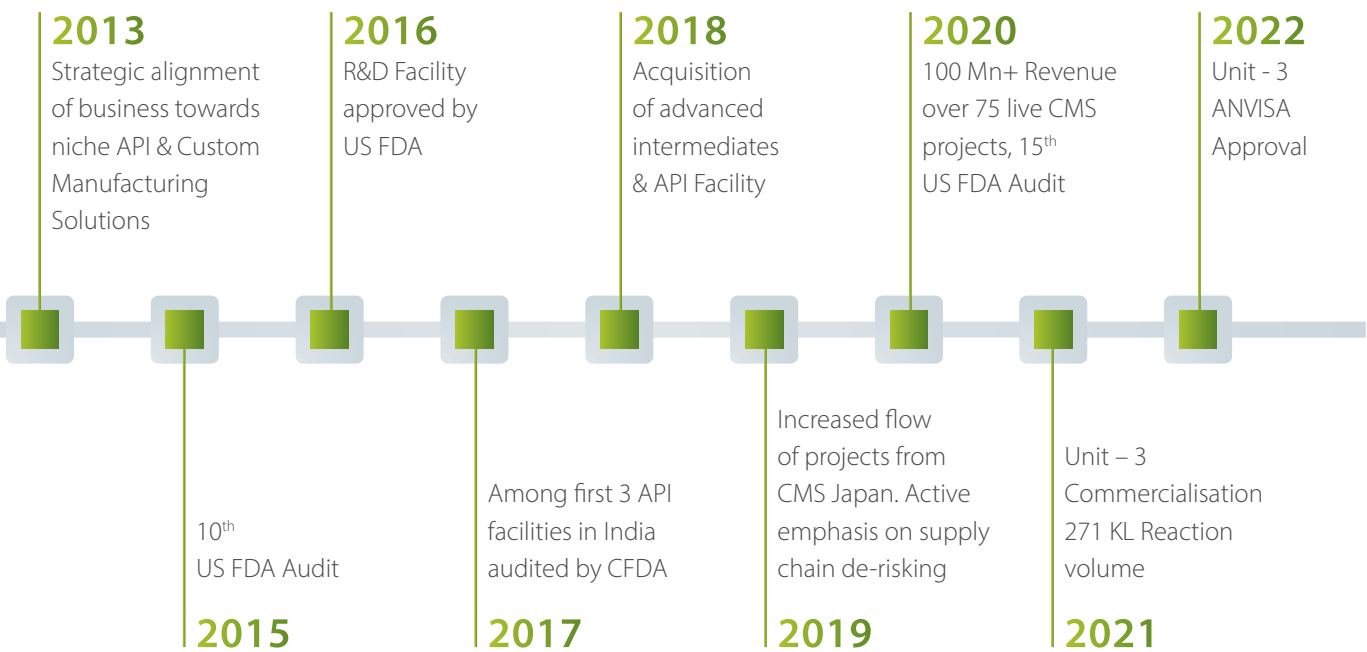
SUCCESSFULLY CLEARED 15 US FDA INSPECTIONS.

Laying Strong Foundation  
1984 - 2003

Deepening Our Capabilities  
2004 - 2012



## Increased Sustainable Growth 2013 - Today



# INSPECTION HISTORY

SUCCESSFULLY CLEARED 15 US FDA INSPECTIONS.



**US FDA  
(USA)**

### Unit-1 Inspection

March 1997, May 2004, March 2008 (PAI for NDA), November 2010, April 2014, April 2017, June 2019

### Unit-2 Inspection

June 1999, February 2002, November 2005, September 2012, August 2015, November 2018, February 2020

**EDQM  
(EUROPE)**

### Unit-1 Inspection

December 2005

### Unit-2 Inspection

June 2017

**BfArM  
(GERMANY)**

### Unit-2 Inspection

February 2017

**EMA  
(EUROPE)**

### Unit-1 Inspection

January 2013

**AFSSAPS  
/ANSM  
(FRANCE)**

### Unit-2 Inspection

February 2012

**PMDA  
(JAPAN)**

**Unit-1 Inspection**  
October 2008

**Unit-2 Inspection**  
October 2008

**COFEPRIS  
(MEXICO)**

**Unit-1 Inspection**  
February 2014

**Unit-2 Inspection**  
February 2014

**KFDA /  
MFDS  
(SOUTH KOREA)**

**Unit-1 Inspection**  
Feb. 2010, July 2014

**Unit-2 Inspection**  
February 2012

**ISO  
14001:2004**

**Unit-1 Inspection**  
July 2010, 2013

**Unit-2 Inspection**  
May 2010, 2013

**SFDA/  
CFDA  
(CHINA)**

**Unit-1 Inspection**  
December 2017

**ISO  
45001:2018**

**Unit-1 Inspection**  
August 2019

**Unit-2 Inspection**  
August 2019

**TGA  
(AUSTRALIA)**

**Unit-2 Inspection**  
April 2011

**WHO  
GMP**

**Unit-1 Inspection**  
May 2017

**ANVISA  
(BRAZIL)**

**Unit-1 Inspection**  
March 2012, May 2014

**Unit-2 Inspection**  
April 2011, May 2013

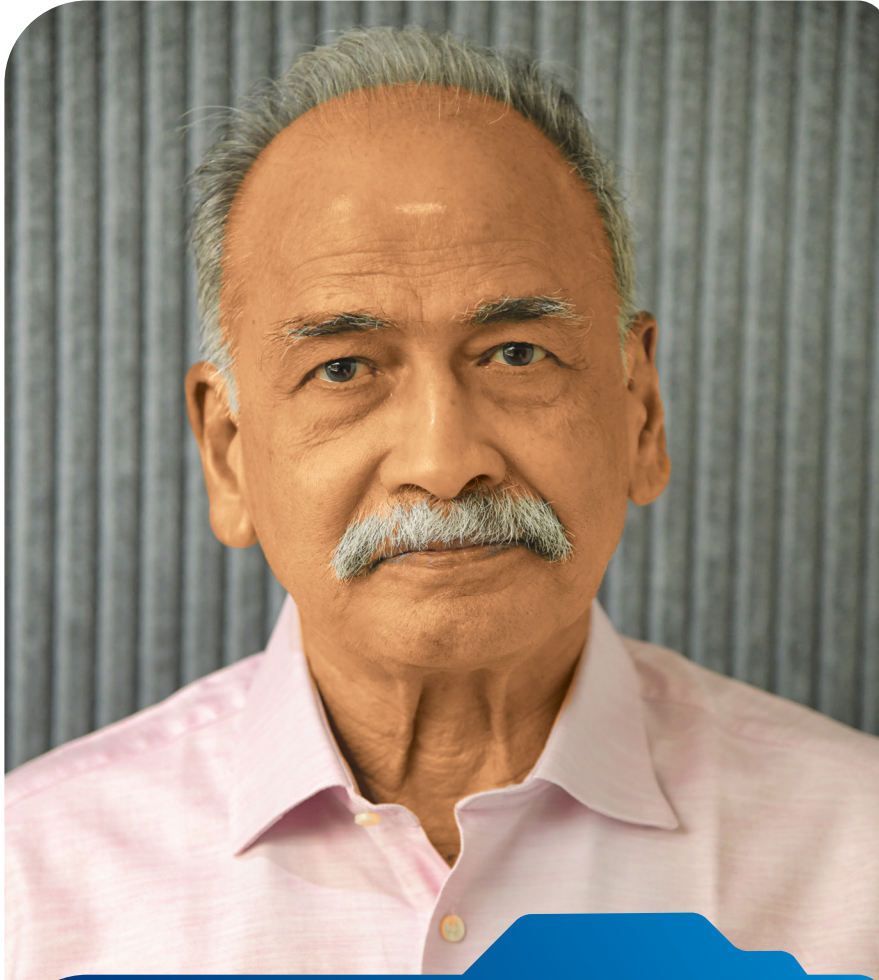
**Unit-3 Inspection**  
February 2022

**FSI  
"SID&GP"  
(RUSSIA)**

**Unit-2 Inspection**  
February 2008

- Unit III was USFDA inspected in 2015 and our R&D centre was USFDA inspected in 2016
- Unit III and R&D are ISO 45001:2018 Certified in August 2019

## Executive Chairman's Message



**At Neuland, we are very proud of our quality and regulatory track record. Understanding that quality is core to our business and future success, the necessary investments continue to be made in strengthening our quality processes. This includes investment in digitisation and automation.**

*Dear Readers,*

Looking back on the past year, I am proud of the way we kept our employees safe and well whilst ensuring business continuity. As an API manufacturer and supplier to the global pharmaceutical industry, upholding quality is imperative in our business and has been foundational to Neuland's approach. In this regard, I am particularly pleased to share that customer satisfaction for our products remained high, endorsing our unwavering commitment to quality and compliance.

While the financial results were below our expectations for the year, we have to consider the continued impact of pandemic-induced challenges and geopolitical challenges towards the end of the financial year. Our performance also needs to be evaluated in the context of our business being impacted by certain business factors beyond our control. In our CMS business, one of our older molecules witnessed a sharp de-growth on reaching the end of the patent in key markets. Lower offtake for certain GDS products due to inventory accumulation at the customer's end dampened our GDS revenue. While these factors did impact our revenue, it is pertinent to mention that we have not lost any customers in these pandemic-hit years. Rather, our customer base has further strengthened, reiterating our customer satisfaction levels and the credibility and trust we have built in the market.

Over the last three decades, Neuland has come a long way. We started with less than 100 employees and our turnover was then around ₹ 30 lakhs. Today, we have grown to become a listed entity with over 1,500 employees and a turnover of ₹ 951 crores, meeting the chemistry

needs of the global pharmaceutical industry. A rapidly evolving business environment is placing high demands on agility and continuous development – for Neuland as an organisation and also for every employee. To drive greater agility in our business, we have identified several strategic priorities to be realised over a three-five year period. As we progress on our strategic priority roadmap, it will help us reach another inflection point in our growth journey.

To successfully implement our business strategy and safeguard the long-term interests of the Company, a strong leadership team with relevant experience and expertise is essential. Our leadership team is currently the best we have ever had in our operational history, and we are committed to building further on this differentiated strength. The emphasis is on identifying and nurturing future leaders from within and driving succession planning. We also continue to focus on driving distributed leadership where individual employees and teams are given authority and responsibility to largely make decisions themselves.

In the healthcare industry, quality is non-negotiable. As the Indian API industry seeks to strengthen global operations, strong adherence to international standards becomes even more pivotal. Quality, I firmly believe, is a mindset. When organisations foster a quality culture, the benefits are several. Lower costs due to minimal product rejections and, together with the right infrastructure, the strength to reach out to markets across the world are just some of the advantages when quality is deeply ingrained within the business. At Neuland, we are very proud of our quality and regulatory track record. Understanding that quality is core to our business and future success, the necessary investments continue to be made in strengthening our quality processes. This includes investment in digitisation and automation.

At Neuland, sustainability ethos guides our strategy with the aim to deliver

better value for all our stakeholders. We are closely focused on minimising our environmental footprint, supporting our local communities, and sourcing responsibly from a sustainable and resilient supply chain. The Company has been actively supporting the surrounding villages with infrastructural needs. In the last year, we spent time and resources to help on the healthcare front too. We further demonstrated our commitment to embedding sustainability into our business with the commencement of digitisation of our enterprise risk management processes. Our people are central to our success, and we remain committed to investing in their health, safety and personal growth. In these exceptional times, we have worked tirelessly to introduce new measures and protocols to help protect our people from COVID-19.

Looking forward, I firmly believe that Neuland is well-poised to be a stronger player in the API industry, both for generics as well as innovators. The investments that we are making for the future, our credibility within the pharmaceutical industry, our strong product pipeline, and our dedication to our strategic priorities will enable us to unlock growth opportunities and deliver sustainable value.

On behalf of the Board, I would like to thank our customers and shareholders for placing their trust in us and for their constant support. I would also like to take this opportunity to thank our employees for their hard work and commitment. Neuland is committed to working together with all stakeholders, pursuing its objective of making quality pharmaceuticals and delivering meaningful contributions to society.

Warm Regards,

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



**Our people are central to our success, and we remain committed to investing in their health, safety and personal growth. In these exceptional times, we have worked tirelessly to introduce new measures and protocols to help protect our people from COVID-19.**

**₹ 953.2 Crores**  
TOTAL REVENUE

**₹ 63.5 Crores**  
PROFIT AFTER TAX

## In conversation with Sucheth Davuluri, Vice Chairman & CEO



As we look at FY23, we will continue to see challenges on supply chain in terms of both availability & cost given the uncertain geopolitical situation. Our priority is to make the business stronger with focus on understanding the constant evolving customer needs better.

This year was not a satisfactory year in terms of financial and business performance due to lower than expected demand for some of our key products such as Levetiracetam, Dorzolamide on the Generic Drug Substance (GDS) Business as well as delays in execution of projects on the Custom Manufacturing Solutions (CMS) side. However, we did see an increase in demand for some of the Specialty APIs such as Apixaban and Paliperidone Palmitate Sterile. The gross margin for the overall GDS business was better than expected due to favourable product mix mitigating the impact of lower demand. Though we are positioned well, some of the Prime APIs in our GDS segment continue to face competition. In terms of our strategy for GDS, we will continue to invest across our portfolio of molecules in terms of capacity, cost optimization, procurement strategy, and technology to establish a leadership position. We continue to focus on filing DMFs for APIs with higher entry barriers.

When it comes to CMS business, the demand side was as expected with customers continuing to show confidence in Neuland's capabilities. However, we faced delays in execution owing to technology challenges and shifting of development timelines. Our priorities for the CMS business are to continue investing in building deep technological capabilities that help us execute projects to meet customers demand while building an organization which is constantly adapting to evolving customer needs.

We saw our revenues remain flat at ₹ 953.2 crores Margins were under pressure due to the volatility induced by the second wave of COVID and other geopolitical issues including shutdowns in China. Our EBITDA for the year stood at ₹ 144.3 crores as against

₹ 162.5 crores in the previous year, while EBITDA margin stood at 15.1% as compared to 17.1% in the previous year. The operating margins were impacted by higher operating expenses incurred for significant manpower hiring for ramping up Unit-III and for building future capabilities in R&D. In fact, this year our R&D investments was 50% higher than the previous year. Our capex for the year stood at around ₹ 96 crores. Even though substantial capital investments were made, our net gearing ratio continues to be low at 0.3x and the current ratio is 1.57 up from 1.47 the previous year. Our ROCE is at 8.55%, which is lower than last year's 11.93%. We expect to see a significant improvement in ROCE as Unit-III ramps up.

An important development during the year was the alignment of the senior leadership team on our strategic priorities framework that will guide the Company over the next five years. As you will read elsewhere in this report, these priorities are aimed at enabling us to deliver differentiated technological capabilities with deeper competence and build a differentiated GDS portfolio catering to quality focused customers, manufacturing and project management capabilities which would make us agile and responsive to customers, while developing the requisite digital and people capabilities which will ensure Neuland will be the API solution provider of choice.

As we look at FY23, we will continue to see challenges on supply chain in terms of both availability and cost given the uncertain geopolitical situation. Our priority is to make the business stronger with focus on understanding the constant evolving customer needs better. Even as we focus on creating a culture of feedback and greater alignment to customer, we will also be looking at optimizing our costs.

Before I dive into answering some of the questions which are frequently posed by our shareholders, I must acknowledge the tremendous hard work and commitment

put in by the team to continue servicing customers and keeping all our facilities running despite the severe impact of the second wave of COVID.



#### What is Neuland's unique value proposition?

Neuland is a pure play API Company with a continued focus on deepening our capabilities to deliver better value to our customers. Our customers consistently appreciate Neuland's 'no-conflict' business model and it's focus on APIs. We are strengthening further by investing in deeper technological competencies and customer and project management capabilities which will make us a partner of choice for both innovators and leading generic formulators. We realize that the capabilities required in the GDS and CMS business are vastly different, yet there are significant synergies between the two. We are leveraging our experience of over 3 decades to create an organization which is uniquely positioned to serve both the segments without compromise.



#### What were some of the highlights of the year?

Even before I mention the highlights, I would like to state that the disruption brought about by the second wave of the pandemic in India and a volatile global commodity market made the past year challenging. Looking back, while there are areas that we could have done better, I believe that we responded well to the challenges. I am particularly proud of how our teams managed to ensure continuity of business.

Among the highlights, the CMS segment saw significant revenue from products in development close to commercialization and the filing of five DMFs for the GDS business– including one sterile API. We have commercialized two CMS projects during the year. We made good progress on scaling the utilisation of Unit-III for both GDS and CMS businesses.



#### We have commercialized two CMS projects during the year. We made good progress on scaling the utilisation of Unit-III for both GDS and CMS businesses.

The other highlight for the year was the work done on the Strategic priorities in terms of the alignment of the top team, and key leaders driving the related KPIs. Based on that work, we have strengthened our Project Management function elevating it to the corporate level and focusing on further developing customer responsiveness and agility. Over the last few years, we have seen most of the traction for new CMS projects come from North America and Japan, and are now starting to see momentum from Europe as well. There are a number of other capabilities critical to our strategic priorities which we have also invested in during the course of the year.



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

One area where we faced issues was in terms of execution of some of the complex CMS projects, where timelines were extended beyond the original due date. While this is something which is inherent to the nature of the project, there is scope for significant improvement on that front. We are strengthening our process engineering capabilities and ramping up for focus on cross functional training to foster better collaboration in being able to anticipate issue and take mitigating steps.



# In conversation with Sucheth Davuluri, Vice Chairman and CEO

We could have also done a better job in responding faster to customer feedback. We have a customer base that demands high quality work to support their filings and as a result we have made customer feedback central to our meetings, investments and other decisions. This will result in a stronger and agile Neuland.

We have also ramped up our efforts in creating new infrastructure to support our growth as well as ensure alternate production lines and buffer capacity to meet variations in demand.



## How do you see Neuland transforming in light of the strategic priorities?

The terms 'agile, focused and customer-centric' are the operating words when it comes to Neuland's transformation. We are very clear about the kind of organisation we want to be, the areas of research in which we will invest, the geographies in which we want to be, and the products that we want to develop to achieve the optimal configuration for success.

As we pursue our strategic priorities, we see Neuland emerging with differentiated scientific, technological, and manufacturing capabilities that are greatly valued and trusted by customers. In line with one of our priorities, we will become significantly more digitised and therefore more agile to make quick data driven decisions. An example of digitization where we are beginning to see significant benefit is on the procurement side where the complete 'Procure to Pay' process is automated. We will have a portfolio of complex and differentiated molecules on the GDS side; and an organisation with advanced project management practices

to meet customers' ever-changing needs, particularly relevant for our CMS customers as they need a partner who can understand and adapt to their requirements. Finally, our strategic priorities will enable us to evolve the talent of our people and unlock their full potential to drive higher performance.



## Achieving strong environmental, social and governance (ESG) performance is important for achieving a sustainable future. What measures has Neuland taken in this regard?

Neuland is committed to being a successful, sustainable and honest Company. Materiality assessment is conducted annually to assess which material topics have the greatest impact on long-term value creation. We are tracking, measuring and reporting our performance on material sustainability topics, details of which can be accessed on our Annual Sustainability Report.

We have adopted the 10 key principles of Green Chemistry to minimise our environmental impact. Our growing focus on green chemistry is reflected in our process improvement and development (PID) program. As part of PID, dedicated people are re-looking our existing processes, raw materials and chemical products for driving sustainable and safer operations. Around 8-10 such targeted programs are carried out every year by the PID team. Additionally, we have key goals such as reduction in freshwater consumption, zero landfill of hazardous waste, energy conservation, and renewable energy generation, among others, to make our business more sustainable.

Aligned with our focus on establishing a sustainable supply chain, a comprehensive set of sustainability criteria is being used to onboard new suppliers. Further, over 80% of our existing suppliers have signed their acceptance of our Supplier Code of Conduct. In parallel, we continue to work towards re-risking our supply chain to improve supply chain resilience and reliability. Currently, we are dependent on China for around 13% of our materials and are actively working to reduce this further.

At Neuland, we strive to earn trust through transparency. This includes being committed to good governance and promoting sound ethics and compliance. We also embrace a holistic approach to risk management for sustainable value creation and protection. A cross-functional team is involved in identifying key risks and mitigation measures. Digitisation of enterprise risk management (ERM) processes is underway to further strengthen ERM.

Neuland firmly believes that the value created for our employees and communities is just as important as financial returns. We invest in our employees, promoting their learning, development and well-being and creating an environment that allows them to reach their full potential. We practice corporate citizenship in our local communities through healthcare and infrastructure provision initiatives.



**What are the challenges you foresee for FY2023?**

Among the biggest challenges that we continue to face is the steep increase in prices of certain raw materials which is impacting our margins. We are working through those challenges in terms of negotiating long-term contracts including our cost position and negotiating better terms with our customers.

Even as we see challenges on the broader macro-economic front due to the volatile geopolitical situation especially the Russia-Ukraine war, we are also seeing an intensification of competition for certain Prime molecules where competitors and new entrants have invested in capacity over the last 2 years.

While we continue to invest in people and building the organization, nascent attrition is an area of concern as is the competition for talent.

However, through the enhanced ERM program, we have a comprehensive risk register of over 100 risks which have been rated on Severity, Probability and Velocity by key SMEs (Subject Matter Experts) across the organization. The digitization of the program allows for more key individuals across the organization to raise risks and challenges, along with working on mitigation plans. Active monitoring of progress of the risks and the mitigation plans on the ERM tool will give us much more control over the process and outcomes.



**Finally, what are the growth drivers for Neuland for FY2023 and beyond?**

The external environment is vibrant and encouraging. Capital funding for the biotech sector remains robust, US FDA product approvals are increasing, and a growing number of R&D programs are entering the clinical pipeline of innovator companies. As a trusted contract development and manufacturing organisation (CDMO) to the global pharmaceutical industry with a strong focus on partnering with biotech players, these market trends augur well for Neuland. Further, our established business presence in the US, Europe and Japan, which are the global innovation hubs, also holds us in good stead.

In the medium-term, overall improvement in product mix, more efficiencies coming from our operations and Unit III going fully operationalised will help in improving our margins. We expect one or two of our molecules to transition to commercialisation in FY2023, which will enable recurring revenues; however, the revenue potential will depend upon the success of the drugs. We also remain focused on capturing new opportunities for the CMS segment by entering into partnerships for Phase II and III projects as these projects offer high prospects for commercialisation and revenue addition. In our GDS business, the pipeline of new products offers the possibility of exciting growth opportunities.



**At Neuland, we strive to earn trust through transparency. This includes being committed to good governance and promoting sound ethics and compliance. We also embrace a holistic approach to risk management for sustainable value creation and protection. A cross-functional team is involved in identifying key risks and mitigation measures.**

## Message from Vice Chairman & Managing Director



*Dear Shareholders,*

**The FY 2021-22 continued to be testing for the global pharmaceutical industry. This was largely due to pandemic-induced disruptions on the operational, supply chain, demand and pricing side. While pharmaceutical manufacturers are on the recovery path, they continue to face considerable challenges.**

I am pleased to share that Neuland held up well in a difficult fiscal. Looking ahead, our strategic priorities are the roadmap for business fortification. We will focus on strengthening R&D capabilities and technologies, building flexible manufacturing capacities, further developing project and client management systems, investing in digitisation, and, more importantly, building and aligning talent to support business aspirations. Bolstered by a healthy pipeline of existing and new projects, and progressing on our strategic priorities, we remain confident our business is poised for long-term growth.

### **GDS SEGMENT**

Comprising the Prime and Specialty APIs businesses, the GDS segment reported a slight dip year-over-year revenue growth. This was largely due to lower customer offtake for some of the products, particularly for Levetiracetam which has been doing well historically. The high global prices of raw materials also overshadowed the segment's performance.

Notwithstanding the subdued financial results, there have been several positives for the segment. We filed 5 DMFs for products with differentiated technologies, including one sterile API. These are molecules we are excited about and which could have an exciting role to play in the future. We also continue to see good traction with GDS customers that could help us drive growth in the medium to long term. In our Prime business, molecules like Mirtazapine, Labetalol and Levofloxacin have performed well, which will help us leverage economies of scale and improve our profitability. In the Specialty segment, Entacapone, Salmeterol and Ezetimibe led the growth momentum.

Going forward, aligned with our strategic priority, we will continue to concentrate

on building a GDS business that is focused on quality-conscious customers and has a product pipeline differentiated on technologies. To this end, the necessary investments are being made in R&D to bring to market those products where we compete on the merits of their complexity, quality and technology rather than on price. In parallel, our continued emphasis on product lifecycle management is enabling us to improve yields and reduce costs for the existing products in our portfolio.

## CMS SEGMENT

Our CMS segment, which includes both commercialisation and development projects, delivered a strong performance for the full year, clocking the highest revenues to date. This enabled us to partially offset the loss of revenues from the GDS segment and also protect our overall margins in the face of huge raw material cost pressure. Another important milestone is that two molecule transitioned from development into commercialisation stage. Additionally, another one or two molecules are expected to get into the commercial stage in FY 2023.

A noteworthy highlight for the year is that the revenue contribution from the development business has been very promising – for several molecules even higher than our expectations. In fact, while revenues from commercial projects saw a sharp decline due to the de-growth of one of our older molecules (accounting for around 70% of our commercial revenue in the previous year) reaching the end of the patent cliff, the strong contribution from our development business enabled us to more than compensate the loss in commercial revenues. These development molecules are the future of Neuland and denote the potential for future commercialisation and scaling our CMS business. It is also noteworthy that there are no other molecules in our commercial pipeline that are likely to go generic in the next few years.

As of March 31, 2022, we have 81 active CMS projects in our portfolio, with 18 of them in the commercial stage, 18 in the development phase and the remaining

40 extending from early clinical trials to Phase III. While the number of new projects added in the past fiscal has been less than that added in some of the previous year, the quality/value of projects has increased. This is aligned with our focus on building a quality portfolio rather than a quantity-led one. To provide a better perspective, we received our highest initial order from a customer for a product in Phase III, which will be executed in FY 2023. We are also increasingly focusing on therapeutic areas that are our stronghold, green chemicals—those with a low-carbon footprint and futuristic new therapies including peptides and deuterated molecules.

The consistent growth of our CMS segment over the past few years validates our strategy of focusing on biotech companies. The pandemic has further brought to the fore the scientific innovation being driven by them. With biotech companies' continuing to receive robust funding for late stage candidates, their drug development programs are expected to be in line with the norms of the industry. The strong relationships that we have built with our biotech clients – being a partner of choice for many – places us well to expand the scope of engagement with them as well as attract new biotech clients.

## OUTLOOK

While the business outlook for FY 2023 is looking healthy, with both CMS as well as GDS speciality expected to deliver growth, input cost volatility and other factors could have a bearing on our financials. Over the longer term, given our focus on delivering complex projects in line with clients' technical requirements, we retain our optimism that the overall business will grow in line with our stated expectations and reflect increased margins.

While we are building Neuland for the long haul, it is important to mention that quarterly variances in performance, to some extent, will continue to be a feature of our business, largely attributable to the CMS business and the speciality GDS business. To elucidate this further, whenever we execute a development

project, it translates into significant revenues for that quarter; however, the absence of development projects in a particular quarter results in revenue reduction for that period. These variances are reduced when the development stage molecules become commercial molecules and start generating recurring revenues. As we become a larger Company and increase the base of the CMS business with more commercial projects, the impact of these variances will reduce further, though not completely go away. Our strategy would be to continue building very strong relationships with innovator companies for the CMS business wherein we are able to bring in a diverse as well as a high-quality portfolio of molecules.

Our focus would also be on entering into molecules where there is a very strong synergy in terms of our infrastructure, which means that we aim to have molecules in our CMS and GDS businesses where our capacities are fungible. The growing utilisation of Unit-III for both GDS and CMS businesses should also enable us to improve our profitability. With the pandemic subsiding, we are also seeing interest from newer companies for visiting our facilities and engaging with us, which makes us upbeat about growing our customer base.

In summary, Neuland is poised for long-term growth underpinned by the healthy pipeline of projects in our CMS business as well as existing projects, the DMFs we have filed and continued customer engagement for quality delivery. Our growth ambition is supported by a strong balance sheet, giving us the financial wherewithal to make calculated investments for the long term. With so much opportunity identified across our business and a detailed strategy, talented team and the right ways of working in place to unlock it, we are confident of the rewards.

Thank you for your investment and trust in our Company.

Warm Regards,

**Saharsh Davuluri**

Vice Chairman & Managing Director

# Value Creation at Neuland

## OUR APPROACH TO VALUE CREATION



### AGILE MANUFACTURING

Invest in capacity creation  
which allows for flexibility and  
responsiveness to customers



### CAPITALIZE ON CHEMISTRY EXPERTISE

Deploy and develop advanced  
chemistry skills and technologies



### QUALITY

Quality by Design  
First Time Right  
Quality culture as a differentiator



### DE-RISKED SUPPLY CHAIN

Shorter supply chain  
Geographically de-risked



### LEVERAGE RELATIONSHIPS

Leverage our long-standing  
relationships, building brand  
loyalty



### REALIGN PORTFOLIO

Technologically differentiated  
products  
Deeper relationships with Quality-  
focused customers

## VALUE CREATION PILLARS



PEOPLE AND CULTURE

DIGITISATION

ENTERPRISE RISK MANAGEMENT

# Our Strategic Priorities

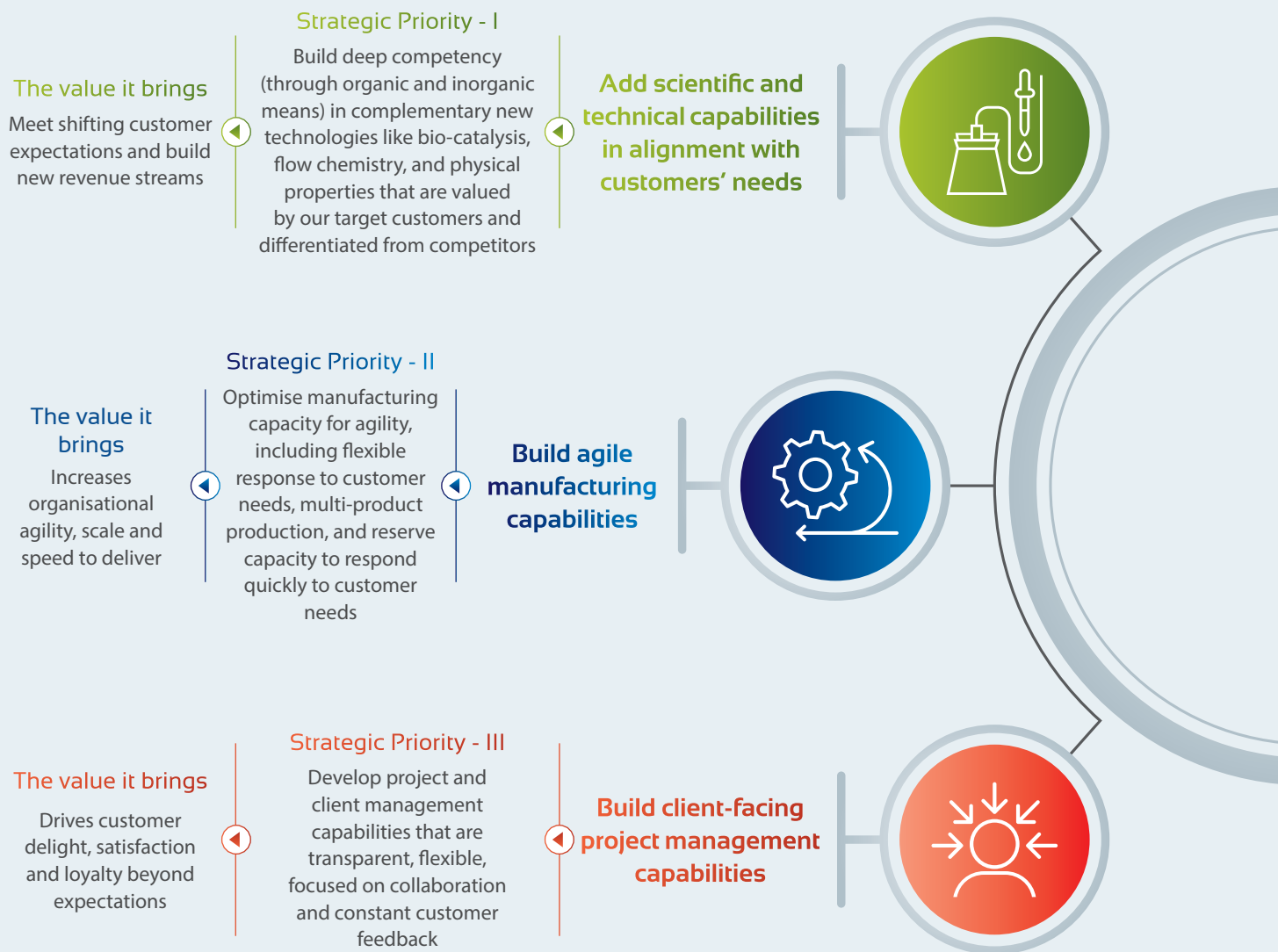
## The roadmap for business fortification and future readiness

Neuland Labs for over 38 years has been a trusted API development and manufacturing partner to leading Pharma and biotech companies globally. The organisation has a strong compliance record and a persistent focus on delivering quality APIs to improve

the efficiency and effectiveness of the customers product.

To better organise the organisation, fortify expertise and capabilities and build a future-ready organisation to adapt and scale, the leadership team

have identified six key strategic priorities for the next five years. These priorities provide the blueprint for shaping the Company's direction and creating value for our customers, our employees, our shareholders and society at large.





**Modernise our technology architecture**

**Strategic Priority - IV**

Digitise processes across the organisation and build Company-wide dashboards providing shared, real-time, granular data and analytics to create shared context across functions and improve the quality and speed of decision

**The value it brings**

Facilitates information transparency and faster and better decision-making at every level



**Focus on talent and succession planning**

**Strategic Priority - V**

Develop the functional, leadership, and technical skills of top 60 distributed leaders/ critical talent and emerging leaders that are required to execute on strategic priorities

**The value it brings**

Ensures ready pool of talent in line with business aspirations



**Build a quality Generic Drug Substance portfolio**

**Strategic Priority - VI**

Generic Drug Substance business that is focused on quality-conscious customers and pipeline products differentiated on technology

**The value it brings**

Develop products which bring tangible value to customers through differentiation



# Operational Highlights

## Fortifying our capabilities

Several initiatives completed during the year have enhanced our agility, resilience and ability to create sustainable long-term value. We continue to work towards fortifying our capabilities as outlined under our strategic priorities.



### Generic Drug Substances

During FY 2021-22, we have filed 5 USDMFs (Tafamidis Meglumine, Vilanterol, Elagolix Sodium, Linezolid, Aripiprazole Monohydrate (Sterile)) strengthening the GDS product pipeline. In addition to the US, DMFs were also filed in other key geographies around the world including Europe and Brazil. As we build a more differentiated product pipeline, it will enable us to create better value for our customers and command a higher premium for those products.



### Scientific Capabilities

In the search for new knowledge and the next innovation, it is important to empower our scientists with world-class labs. During the year, our research capabilities were strengthened with the addition of sophisticated equipment and the deployment of the latest technologies across our various labs. Further, a new state-of-the-art Quality Control Lab was setup in Unit III in compliance with applicable quality regulations and standards and was successfully cleared the Brazilian Health Regulatory Agency's ANVISA inspection in Feb 2022.

In pursuit of our strategic priority to add scientific and technical capabilities that meet the emerging needs of customers, a Scientific Advisory Board has been formed. The Board is actively focused on bringing new technologies to Neuland. In addition to adding capabilities organically, the Board is also exploring the possibility of strategic collaborations with scientific organisations to deepen Neuland's scientific prowess. The overarching goal is to build unique technical capabilities to become a more differentiated service provider.



### Flexible and Modern Manufacturing

Aligned with our strategic priority of building agile manufacturing capabilities, we worked towards enhancing the plant infrastructure. The setting of multiple production lines was the key focus to effectively meet demand surge, provide a broad product range, and introduce new products seamlessly.

Given our high priority on improving plant flexibility, we are also modernising our equipment where required. A granular manufacturing modernisation plan has been drawn up to replace older equipment with new systems. This will enable us to ramp production volumes up and down to fit the demand of the market while also strengthening cost and quality competitiveness. To review the progress of our manufacturing capabilities, a Manufacturing Advisory Board has been set up.



## Project Management

Our customers need constant updates on the status of their projects. It is also paramount that we are well-gearred to meet their ever-changing needs. Our project management team enables us to deliver individual attention to each client and drive smooth project execution. They also work towards ensuring successful scale-up of projects it progresses along the development value chain. As we grow our CMS segment,

where project management is particularly important, we will continue to enhance our project management capabilities.

During the year, several training programs were launched to build on the skills and expertise of our project managers. We continued to champion the customer outreach program for receiving feedback and taking improvement measures. Documentation and year-on-year review of customer feedback is enabling us to

track our progress in driving superior customer satisfaction.

Another important initiative in alignment with our strategic priority was the setting of a new group called Project Management Office for effective governance and strategy execution.



## Supply Chain Management

In a year that witnessed continuous global supply chain disruption due to multiple factors, our supply chain team ensured uninterrupted availability of raw materials through planning, forecasting and inventory stocking of critical items. A key highlight for the year was vendor de-risking for our key products to make our supply chain more resilient.

Important steps were taken for driving digitisation in our supply chain. We completed the implementation and adoption of PRM360 – a procurement portal and Gocomet – a shipment tracker system. PRM360 enables equal opportunity for all the vendors as they compete in an e-auction, while Gocomet provides customers better visibility on their consignments.

Aligned with our growing focus on ESG metrics, we are applying a rigorous selection process to choose only those suppliers that are committed to the statutory and other requirements of relevant environmental guidelines. This year, specific KPIs were identified for ensuring sustainable supply chain management at Neuland.



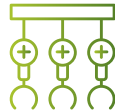
### Digitisation and Robust IT Systems

We have embarked upon a digitisation roadmap to make our workplaces more efficient and secure.

As part of our digital transformation journey, a variety of digital and technology platforms are being deployed to better manage and deliver services and communicate with our customers, suppliers and people. During the year, we forayed into applications like Master Data Management (MDM), Customer Relationship Management (CRM) and Resource Management, among others. MDM acts as a single source of truth and repository for all business-critical data; CRM enables continuous customer feedback and Resource Planning helps in the optimal allocation of resources. All these initiatives will facilitate data-driven decisions for more agile operations.

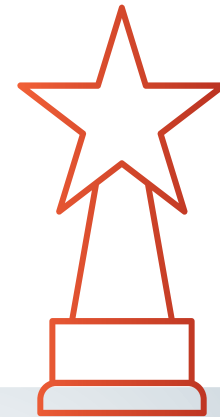
We continued to be focused on the need to maximise the effectiveness of our information systems and technology as a business enabler. The implementation of VDI (Virtual Desktop Infrastructure) has been largely completed across the organisation. By enabling data storage at one single location, VDI has further strengthened data security.

Another major initiative was the implementation of AI-enabled Robotic Process Automation to automate repeated and mundane tasks. This is enabling us to drive higher productivity, enhance accuracy and channelise the freed-up time of our people towards value-added activities.



### Quality Control Lab Automation

We are moving towards fully automated quality control (QC) labs through multiple digitisation projects. Laboratory Information Management System (LIMS), designed to electronically manage the entire cycle of testing and reporting of lab results, is under implementation across our QC labs at all three manufacturing sites. This shift to digital lab records will facilitate data traceability and retrieval, particularly useful while sharing data with regulators and customers. Our labs are already equipped with Quality Management Systems (QMS). Aligned with our strategic priority to embrace digitisation across the organisation, this digital transformation of our QC Labs will enable us to unlock greater efficiencies and strengthen our compliance culture. We also upgraded to the most advanced lab software across Unit-I and Unit-II for better compliance.

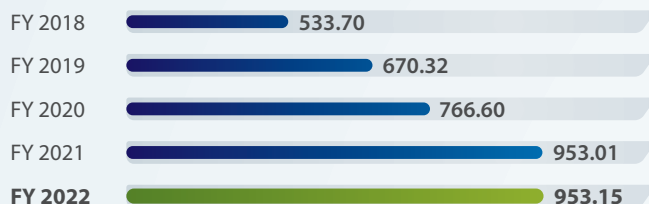


Neuland received the **“IP Facilitator of the Year for Excellence and Innovation”** Award from the Associated Chambers of Commerce and Industry of India (ASSOCHAM)

# Financial Highlights

## REVENUE

(₹ Crores)



**15.6%** CAGR



## PAT

(₹ Crores)

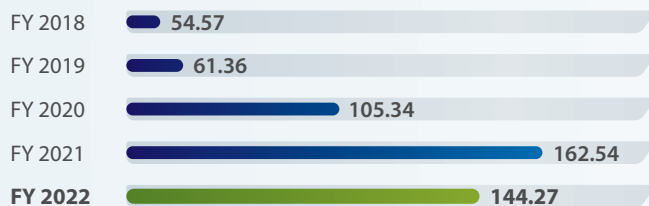


**52.3%** CAGR



## EBITDA

(₹ Crores)



**27.5%** CAGR

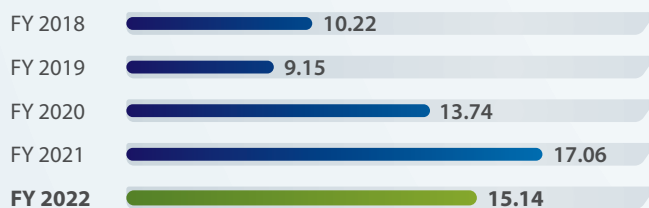


## CURRENT RATIO



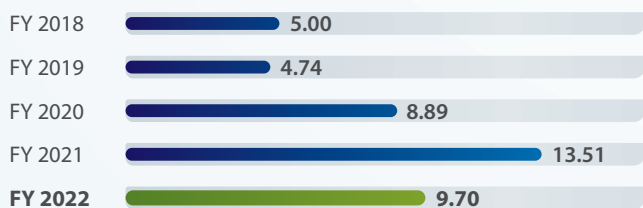
## EBITDA Margin

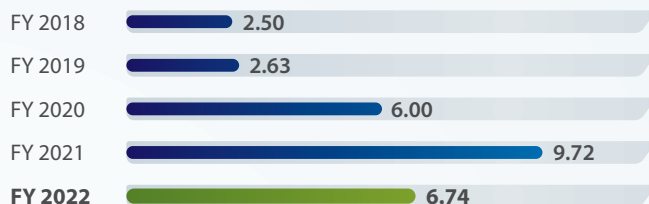
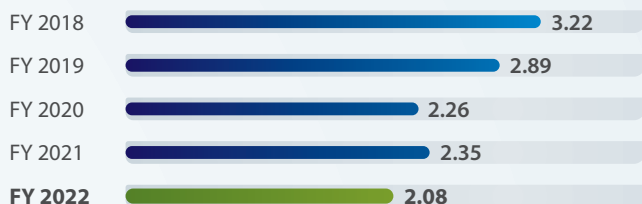
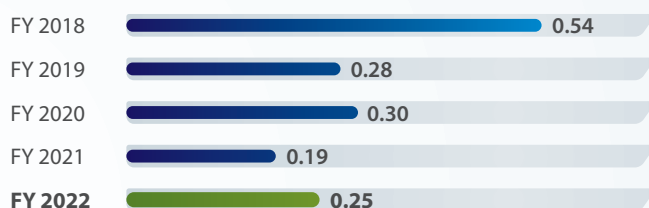
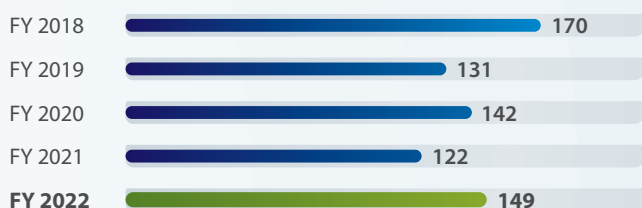
(%)



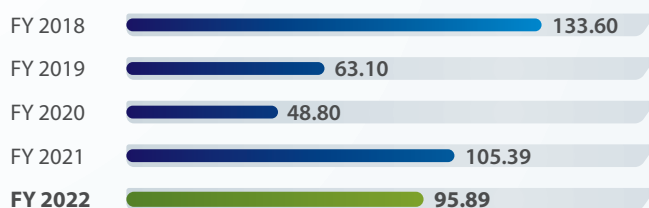
## Return on Capital Employed

(%)

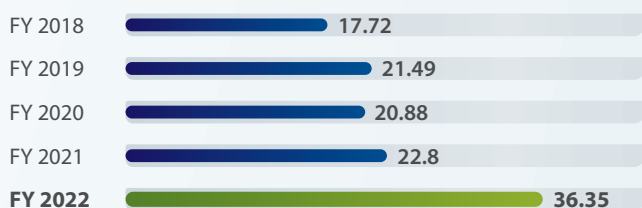


**RETURN ON INVESTED CAPITAL (ROIC) (%)****FIXED ASSETS TURNOVER****NET DEBT TO EQUITY****CASH CONVERSION CYCLE (CCC) (Number of days)****Tangible Capex Spend**

(₹ Crores)

**R & D Expenditure**

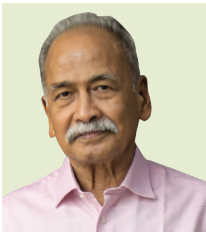
(₹ Crores)

**EPS**

(₹ per share)



## Board of Directors



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

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



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

Mr. Davuluri Sucheth Rao (DIN: 00108880), Vice-Chairman and Chief Executive Officer, has a degree in Mechanical Engineering and holds a Masters in Corporate Finance and Operations Management from University of Notre Dame, U.S.A. He was Production Group Leader in Cummins Inc., U.S.A. and later went on to become a green belt in Six Sigma. He has been actively involved in managing Neuland since 2002, initially as Chief Operating Officer (COO) and then as CEO. He is equipped with broad-based management skills in new business development, sales and marketing and operations management. He has direct P&L responsibility at the board level enhanced by the necessity to comply with high standards of corporate governance for a listed Company, Quality related regulations and EHS (Environment, Health and Safety) laws. At Neuland, Sucheth has been responsible for establishing subsidiaries in the US and Japan, increasing Sales from organised markets, strengthening Quality Management Systems, driving Neuland's strategy towards specialty APIs and the CMS Business.



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

Mr. Davuluri Saharsh Rao (DIN: 02753145) is the Vice Chairman and Managing Director at Neuland Laboratories. He joined Neuland in 2007 as Vice President with the responsibility of establishing the Custom Manufacturing Solutions business. In his current role, he steers the strategic direction for the Company and oversees R&D, Sales and Marketing, Business Development of the Generic APIs, Custom Manufacturing Solution (CMS) and the Peptides business. As a Managing Director of the Company, he is responsible for the overall growth performance of the organisation and the realisation of its business plan. Some of the other areas that he is directly responsible are the Investor Relations, Strategy, IT and operation of the Company's subsidiaries in Japan and the US. He is a member of the - YPO - Greater India Chapter.

Saharsh is an Electrical Engineering graduate and obtained his Masters of Management Information System from Weatherhead School of Management, Cleveland, Ohio, USA. He also holds Masters of Business Administration from the University of North Carolina, USA.



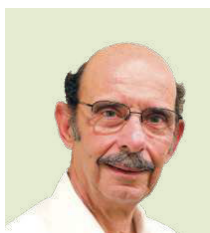
**Mr. Humayun Dhanrajgir**  
*Independent Director*

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



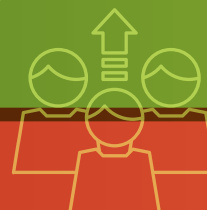
**Mr. Parampally Vasudeva Maiya**  
*Independent Director*

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



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

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







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

Mrs. Bharati Rao (DIN: 01892516), is an Independent Director of our Company. Mrs. Rao has over 40 years of experience in the banking and financial sector, having joined State Bank of India, in 1972. Since then she has held both domestic and international positions and titles, covering areas such as project finance, credit and risk management, International Banking, human resources and mergers and acquisitions. She has represented SBI on the boards of various companies and financial institutions as a nominee director and also served as an advisor for Mergers and Acquisitions.

Mrs. Rao is presently on the boards of SBI CAP Securities Limited as nominee director and as an independent director on Tata Teleservices Limited and Suprajit Engineering Limited.



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

Dr. Nirmala Murthy (DIN: 00734866), is an Independent Director of our Company. Dr. Murthy is currently the founder member and advisor of the Foundation for Research in Health System, a non-government research organisation. She has a Masters degree in Statistics from Bombay University, India, and a doctorate from the Harvard School of Public Health, Boston, USA. She was a faculty of the Indian Institute of Management, Ahmedabad, in Public Health Management. She is a specialist in Health Information Systems, monitoring and evaluation of Health and Welfare programs. She has designed several management training programs for health care providers working at different levels in the public health system. Currently her work involves using ICT to improve health outcomes among the rural poor. She has published over 50 research papers in journals and books, in the area of her expertise.



**Mr. Homi Rustam Khusrokhhan**  
*Independent Director*

Mr. Homi Khusrokhhan (DIN:00005085) is an Independent Director of our Company. He is a Fellow member of the Institute of Chartered Accountants of India. He studied at the Sydenham College of Commerce and Economics and obtained the degree of B. Com (Honours) from the University of Mumbai and later at the London School of Economics and Political Science where he obtained the degree of M.Sc. (Econ.) London. Mr. Khusrokhhan has over 40 years' experience in the corporate sector and a wide experience and knowledge of modern management techniques. He has experience and expertise in pharmaceuticals, agriculture related businesses, international businesses and mergers and acquisitions.

Mr. Khusrokhhan has earlier been the Managing Director of Glaxo & Burroughs Wellcome in India, Tata Tea Limited and Tata Chemicals Limited. He was a special Advisor to the Government appointed Board of Satyam after he retired from the Tata Group. He was President of the Organisation of Pharmaceutical Producers of India and Vice President of the Bombay Chamber of Commerce and Industry. He has served as an Independent Non-Executive Director on several Boards - Hindustan Lever, LIC Mutual Fund Trustee Company, Tata-AIG Life, Fulford India, ICICI Bank and Strides Pharma Science. He retired from the Tata Group in 2008 but is a Senior Advisor to Tata Capital's Private Equity Funds. He is Chairman of the Employers Federation of India, Western Region, Vice-Chairman of the Indian Red Cross Society, Maharashtra and serves on the Board of Governors of The Anglo Scottish Education Society and on the Executive Committee of certain Hospitals. He was till recently President of the Bombay Natural History Society and Chairman of United Way, Mumbai.

# Corporate Information

## Board of Directors

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

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

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

**Mr. Humayun Dhanrajgir**  
*Non-Executive Independent Director*

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

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

**Mrs. Bharati Rao**  
*Non-Executive Independent Director*

**Dr. Nirmala Murthy**  
*Non-Executive Independent Director*

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

## Chief Financial Officer

**Mr. Deepak Gupta**

## Company Secretary & Compliance Officer

**Ms. Sarada Bhamidipati**

## Audit Committee

**Mr. Homi Rustam Khusrokhhan**  
*Chairman*

**Mr. Humayun Dhanrajgir**  
*Member*

**Mr. Davuluri Sucheth Rao**  
*Member*

**Mrs. Bharati Rao**  
*Member*

**Dr. Nirmala Murthy**  
*Member*

## Stakeholders Relationship Committee

**Mr. Parampally Vasudeva Maiya**  
*Chairman*

**Mr. Davuluri Sucheth Rao**  
*Member*

**Mr. Davuluri Saharsh Rao**  
*Member*  
*(Appointed with effect from May 11, 2021)*

**Dr. Davuluri Rama Mohan Rao**  
*Member*  
*(Up to May 11, 2021)*

## CSR Committee

**Mr. Humayun Dhanrajgir**  
*Chairman*

**Dr. Davuluri Rama Mohan Rao**  
*Member*

**Mr. Davuluri Sucheth Rao**  
*Member*

**Mr. Davuluri Saharsh Rao**  
*Member*

**Dr. Nirmala Murthy**  
*Member*

## Nomination and Remuneration Committee

**Mr. Parampally Vasudeva Maiya**  
*Chairman*

**Mr. Humayun Dhanrajgir**  
*Member*

**Mrs. Bharati Rao**  
*Member*

**Mr. Homi Rustam Khusrokhhan**  
*Member*  
*(Appointed with effect from April 12, 2022)*

## Risk Management Committee\*

**Mr. Homi Khusrokhhan**  
*Chairman*

**Mr. Davuluri Sucheth Rao**  
*Member*

**Mr. Davuluri Saharsh Rao**  
*Member*

**Mrs. Bharati Rao**  
*Member*

*\*Constituted with effect from June 5, 2021*

## Registered Office

NEULAND LABORATORIES LIMITED  
CIN: L85195TG1984PLC004393  
11th Floor (5th Level), Phoenix IVY Building,  
Plot No. 573A-III, Road No. 82, Jubilee Hills,  
Hyderabad - 500033, Telangana, India

## Listing

BSE Limited (BSE) - Scrip Code: 524558  
National Stock Exchange of India Limited (NSE)  
Scrip Code: NEULANDLAB

## Statutory Auditors

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

## Internal Auditors

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

## Secretarial Auditors

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

## Bankers

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

Axis Bank Limited, Begumpet, Hyderabad

HDFC Bank Limited, Banjara Hills, Hyderabad

Kotak Mahindra Bank Limited, Somajiguda  
Branch, Hyderabad

IndusInd Bank Limited, Secunderabad  
Branch, Hyderabad

RBL Bank Limited, Madhapur  
Branch, Hyderabad

## Registrar and Share Transfer Agents

**KFin Technologies Limited**  
(Formerly known as KFin Technologies  
Private Limited)  
Selenium Tower B, Plot No. 31 & 32, Financial  
District, Nanakramguda Serlingampally  
Mandal, Hyderabad - 500032, Telangana

# Management Discussion & Analysis



## ECONOMIC OVERVIEW

### World Economic Overview

The second half of 2021 was marked with supply disruptions, hindering global manufacturing, especially in Europe and the United States. A resurgence in Covid-19 cases, particularly in Europe, held back a broader recovery. In China, disruptions from COVID outbreaks, interruptions to industrial production from power outages, declining real estate investment, and a faster-than-expected withdrawal of public investment all contributed to a slowdown. Although there were signs of a global turnaround in November, the Russia-Ukraine conflict swept away chances of major recovery in Europe. Economic damage from the conflict is expected to slow down global growth in the near term. Apart from a severe double-digit drop in GDP for Ukraine and a large contraction in Russia, worldwide spill overs through commodity markets,

trade, and financial channels are evident. Fuel and food prices have increased rapidly, with vulnerable populations, particularly in low-income countries, most affected. Elevated inflation will complicate the trade-offs central banks face between containing price pressures and safeguarding growth. Interest rates are expected to rise as central banks tighten policy, exerting pressure on emerging market and developing economies. Global growth is projected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. A gradual resolution of supply-demand imbalances and a modest pickup in labour supply are expected, easing price inflation eventually.

*Source: World economic Outlook – IMF, April 2022*

### INDIAN ECONOMIC OVERVIEW

The second Covid-19 wave, impacted the economy in the Q1 of FY 2021-22 on top of the significant loss of life. Similarly manufacturing too was

disrupted due to limited availability of labour and prolonged lockdowns though localised. The GDP growth rate recovery in FY 2022, was expected on the back of robust growth in certain sectors including services, agriculture, manufacturing, mining, construction and energy. The third COVID-19 wave impacted growth in the last quarter of FY 2022. The year ended with rising international commodity prices emanating from the Russia-Ukraine conflict.

According to a report by Goldman Sachs, new investment and ordering activity witnessed a sharp pick-up in FY 2021-22 resulting in 210% jump in manufacturing sector as compared to FY 2020-21. The growth was contributed by both traditional sectors like petrochemicals, steel, cement, and automobiles, and new-age sectors like electronics, e-vehicles, and data centres. Megaproject announcements, especially, in the steel sector provided a strong

impetus to growth. Announcement of Production-Linked Incentive (PLI) schemes for 13 sectors in FY 2020-21, had provided a significant boost. India's merchandise exports rose to a record US\$ 418 billion in FY 2021-22. Pharma sector recorded its best-ever exports performance with a remarkable growth of 103% since FY 2013-14, from ₹ 90,415 crore to ₹ 1,83,422 crore in FY 2021-22.

The GDP growth was 8.7% in FY 2022 while the IMF forecasts a growth-rate of 8.2% in FY 2023, respectively. The growth projections are primarily based on lower base effect, successful vaccination drive across the country, and offtake of government programmes spurring investments and activity. Strong fiscal, monetary and budgetary interventions by the Government of India are expected to keep India on track to remain the fastest growing economy in the world.

## GLOBAL PHARMA MARKET

### Overview

The COVID-19 pandemic induced crisis had a long-lasting impact on global public health but it highlighted the resilience of global health systems with speedy adaption to peaks in demand. The differing impact of the COVID-19 pandemic across countries is expected to impact growth through 2022. The global medicine market excluding COVID-19 vaccines, using invoice price levels, is expected to grow from \$1,340 billion in 2021 to \$1,424 billion in 2022 at 1.5% CAGR. The total cumulative spending on COVID-19 vaccines through 2026 is projected to be \$251 billion, largely focused on the initial wave of vaccinations expected to be mostly completed in 2022 in developed countries and in 2023 in lower income geographies. Booster shots maybe required annually or even more often depending on durability of immunity and the continued emergence of viral variants. The global medicine market excluding COVID-19 vaccines is expected to reach \$1.8 trillion in 2026 at 3-6% CAGR.

The market continued to be dominated by the top 10 developed countries. United States was the largest region in the global medicine market followed by China and Germany. In developed countries, the adoption of new treatments, offset by patent lifecycles and competition from generics and biosimilars, are expected to continue as the main factors influencing medicine spending and growth. In pharmerging countries, dramatic increase in healthcare

access was the largest driver of change. Increasingly, led by China, pharmerging countries are enabling access to newer medicines developed by multi-national companies, often earlier and with access to more of their populations than in the past. India has also been a key driver of the growth in the global markets having recorded amongst the higher growth-rates.

Country	Sales (US\$ in billion)	Share	Growth
US	\$588.08	39%	10%
CHINA	\$121.15	8%	11%
GERMANY	\$111.15	7%	9%
JAPAN	\$76.90	5%	-4%
BRAZIL	\$64.25	4%	25%
ITALY	\$49.43	3%	9%
INDIA	\$44.33	3%	18%
FRANCE	\$43.07	3%	12%
SPAIN	\$42.42	3%	10%
UK	\$35.23	2%	16%
REST OF WORLD	\$329.02	22%	12%

### Specialty medicine

Specialty medicines are those which treat chronic, complex and rare diseases, and that have a minimum of four out of seven additional characteristics related to the distribution, administration by another individual or healthcare professional, requiring special handling in supply chain, requiring patient payment assistance, initiated/maintained by a specialist, disease requires additional monitoring of therapy and prescription medication has significant side effects requiring additional monitoring/counselling. These are more expensive than other more traditional medicines. The global specialty pharmaceuticals market size was estimated at \$33.5 billion in 2020 and is expected to grow at 18% CAGR to reach \$210 billion by 2031. Specialty medicines have been increasing as a share of

spending in higher-income countries, such as the 10 largest developed countries and other high and upper-middle income countries, where they have reached 48% and 39% respectively in 2021, up from 26% and 22% 10 years earlier. In pharmerging countries specialty medicine spending share was 15% in 2021 lagging behind largely due to cost. Spending and usage of medicines in pharmerging and lower income countries, is focused more on older traditional therapies, while developed countries spending is growing in newer specialty therapies despite continued high use in older therapies. By 2026, specialty medicines will represent 45% of global spending and almost 60% of total spending in developed markets, with the remainder predominately being older and traditional therapies that will become progressively lower cost over time.



## INDIAN PHARMA MARKET OVERVIEW

Indian healthcare sector is well-developed with a globally renowned pool of scientists and engineers. The size of the Indian pharmaceutical market stood at \$44.3 billion in FY 2022. India is the largest provider of generic drugs in the world and is the third largest producer of pharmaceutical by volume and was the seventh largest market by value. Almost half of the global demand for vaccines is fulfilled by India, 40% of generic demand in the United States and 25% of all medicine in the United Kingdom. The pharma industry has seen a rapid rise in the past three years with rapid digitisation and the advanced research in the field has opened gates for newer avenues of treatment.

According to the Indian Economic Survey 2021, the domestic market is expected to grow 3x in the next decade. Domestic pharmaceutical market is estimated to reach \$65 billion by 2024 and \$120-130 billion by 2030. The industry is expected to foster a culture of R&D and innovation to enable rapid drug discovery and development to improve the health outcomes worldwide.

During the COVID-19 pandemic, the industry exhibited its commitment and strength by supplying essential medicines to over 120 countries. In India, the industry also contributed to the fields of preventive healthcare, sanitation and quarantine facilities. The Indian pharma industry responded to the challenges of COVID-19 by evaluating the possible utilisation of available drugs and

exploring innovative approaches. India is a globally-accredited manufacturing hub and meets 60% of the world's vaccine demand.

With an export value of \$24.47 billion in FY 2021-22, the products of the Indian pharmaceutical industry continue to improve health outcomes for patients worldwide. The exports saw a meagre increase of 0.13% due to high base effect of 18% growth in FY 2020-21, the freight cost increase and a decline in US exports owing to pending regulatory inspections at Indian sites by the US Food and Drug Administration (USFDA). Some of the manufacturers in Japan and Europe also revived their pharma business during the COVID-19 period and started supplying to the US, which is another factor that may have impacted the Indian exporters.

### Government push for pharma sector growth

- In September 2021, the Indian government contributed \$4 billion to the pharmaceutical and medical industries.
- Prime Minister Mr. Narendra Modi inaugurated the first Global Innovation Summit of the pharmaceuticals sector having 12 sessions and over 40 national and international speakers deliberating on a range of subjects including regulatory environment, funding for innovation, industry-academia collaboration and innovation infrastructure.
- Finance Minister Ms. Nirmala Sitharaman announced an additional outlay of \$26.6 billion over five years for the pharmaceutical PLI scheme in 13 key sectors such as active pharmaceutical ingredients, drug intermediaries and key starting materials.
- To achieve self-reliance and minimise import dependency in the country's essential bulk drugs, the Department of Pharmaceuticals initiated a PLI scheme to promote domestic manufacturing by setting up greenfield plants with minimum domestic value addition to four separate 'Target Segments' with a cumulative outlay of \$951.3 million from FY 2020-21 to FY 2029-30.
- Under Union Budget FY 2021-22, the Ministry of Health and Family Welfare was allocated ₹73,932 crore and the Department of Health Research was allocated ₹2,663 crore. The government allocated ₹37,130 crore to the 'National Health Mission'. PM Aatmanirbhar Swasth Bharat Yojana was allocated ₹64,180 crore over six years. The Ministry of AYUSH was allocated ₹2,970 crore.

### Key factors impacting growth

Geopolitical tensions: Russia and Ukraine are amongst the key emerging markets for Indian pharmaceutical exports. Russia accounts for 2.5-3% of the total

pharmaceutical exports from India and the share of Ukraine is < 1%. The ongoing geo-political issues is unlikely to have a material impact on the Indian pharmaceutical industry. However, as the situation is evolving, there could be moderation in exports to Russia and also foreign exchange losses for exporters on receivables, given the considerable depreciation of the Ruble against the US\$.

Supply Chain disruptions: Pharmaceutical supply chains were still struggling to adapt to the global Covid-19 pandemic and prioritise business planning for the future, when the Russia-Ukraine conflict caused further disruption. Since both demand and supply are erratic, supply chain agility becomes a critical capability to meet patient needs. Agility requires much tighter and more transparent holistic relationships with suppliers, and levels of collaboration that have not been consistently achieved in the pharmaceutical industry.

Re-emergence of COVID-19 related disruptions: Lockdowns imposed in China in early 2022 due to COVID-19 outbreak is

unlikely to have any immediate material impact on the Indian pharma industry, due to negligent supply chain disruptions owing to adequate inventory stocking in the near term. However, any significant disruptions to the manufacturing activity in China could result in supply chain issues and consequent firming up of raw material prices.

### ACTIVE PHARMACEUTICAL INGREDIENTS

#### Global API sector

In 2021, the global active pharmaceutical ingredients market size was valued at \$208.9 billion and is expected to reach \$334 billion by 2028 growing at 6.9% CAGR driven by rising adoption of biologics in disease management, increasing regulatory approvals, patent expiration of major drugs, growing trend of outsourcing and increase in geriatric population. The growth of the captive API segment is propelled by companies investing in solving challenges and developing new chemical ways for the production of APIs in house aiding in cost reduction and the risk of contamination. Artificial intelligence and protein





**The Indian active pharmaceutical ingredients (APIs) market was valued at \$11.8 billion in FY 2020-21. The growth is mainly attributable to high growth of the biopharmaceutical sector, drug research and the increasing geriatric population expected to boost the demand through FY 2026-27.**

synthesis are expected to facilitate faster development with greater control over the process. The rising prevalence of chronic and lifestyle-based conditions, such as cardiovascular diseases, is also accelerating the demand for API.

The generic API segment is gaining share in the market owing to its cost effectiveness, which helps in catering to the needs of the rising number of patients in developing regions with a low-income population. According to the Association for Accessible Medicines, in 2017, there was a considerable rise in manufacturing units in Asia, Australia, and EU5. There has also been an increase in the market share of generic drugs.

The API market has traditionally been dominated by drugs, such as anti-infectives and diabetes, cardiovascular, analgesics, and pain management drugs. However, as per the R&D trends, the demand is shifting toward developing complex APIs used in novel formulations, targeting niche therapeutic areas. The major factors limiting the market growth include drug price control policies across various countries, fierce competition among existing players, and stringent regulatory policies.

North America currently dominates the market and is expected to continue its stronghold in near future owing to the increasing incidences of disease and rising aging population. With the drastic spread of COVID-19 in the country, the demand for drugs and ingredients increased.

Most of its API requirements are met through imports from China and India, as these countries have well-established manufacturing facilities and a large talent pool serving the pharmaceutical sector.

The API market has several manufacturers from China and India holding a dominant market position due to their large manufacturing footprints. Europe, Italy, Germany, and the UK are the key regions for API trade due to the presence of a well-developed pharmaceutical and life sciences sector. Developing nations like India are being increasingly preferred in the market over dominant API market countries, like China, owing to geopolitical situations. Other factors favouring India include quality raw materials and products, large workforce, vast distribution network, and government subsidies under schemes like 'Make in India'.

Most of the APIs produced by reputed MNCs are used for captive production. However, a few players have emerged as contract manufacturers with a diversified client base. With increasing technological advancements and product innovations, mid-size and small-scale companies are increasing their market presence by introducing new ingredients at competitive prices.

*(Source: Global Active Pharmaceutical Ingredients Market 2021-2028 (researchandmarkets.com))*

### **Indian API sector**

The Indian active pharmaceutical ingredients (APIs) market was valued at \$11.8 billion in FY 2020-21. The growth is mainly attributable to high growth of the biopharmaceutical sector, drug research and the increasing geriatric population expected to boost the demand through FY 2026-27. Growing prevalence of chronic diseases such as cardiovascular diseases, diabetes, cancer, respiratory disorders, among others is going to boost the market. The Indian pharmaceutical industry accounts for second largest number of Abbreviated New Drug Applications (ANDAs).

The synthetic method of synthesis dominated the market with 56.3% share in FY 2020-21 on account of the easy availability of raw materials and easier process for development of APIs. The biological method of synthesis segment is expected to steadily increase share owing to the growing demand for vaccines, monoclonal antibodies, recombinant proteins and biosimilars. Based on drug type, the market is segmented into generics and innovators. In FY 2020-21, the generics dominated the market with 69.56% share.

Post shutdown of 2020 in China, the Indian government drew up plans to allot land for three major bulk drug parks and to provide more than \$1 billion in funding to encourage companies to manufacture ingredients domestically, as a part of 'Make in India' campaign that looks to capitalise on firms searching for an alternative to China.

### Challenges impacting the Indian bulk drug industry

India's pharma sector needs to reinvent itself and reduce its dependence on export of generics, so as to become an end-to-end drug manufacturer. Notwithstanding the government's intent and vigour, the road to making India the epicentre of global API production is faced with certain roadblocks and challenges along the way.

- Slow and mired clearances for large-scale mega parks to manufacture bulk drugs
- Need for significant investment in setting up facilities which confer to regulatory requirements from foreign countries
- Lack of financial support from government in terms of lower tax, cheaper utilities and land subsidy to lower capex requirement
- Dilemma between raising the scale of production and averting cost-escalations
- Wafer thin margin in API manufacturing leading to competitive disadvantage versus Chinese imports

### Outlook

The Indian active pharmaceutical ingredients (APIs) industry is expected to grow at 12.24% CAGR during 2021 to 2027. Key drivers boosting the growth of the Indian APIs industry include rising drug research; the need for active pharmaceuticals during the COVID-19 pandemic; the derisking of supplies from China ; and supportive government policies such as Atmanirbhar

Bharat, Pharma Vision 2020, Production Linked Incentive Scheme, among others. Increasing approvals from the central government for new active pharmaceutical ingredient manufacturing plants is a major factor driving the growth of the market through FY 2026-27. The Governments thrust on boosting competitiveness of India's indigenous manufacturing are the right steps to address challenges of escalating costs in scaling up local production.



## CONTRACT DEVELOPMENT AND MANUFACTURING ORGANISATIONS (CDMO)

### Global market overview

The global pharmaceutical CDMO market was valued at \$183.62 billion in 2021 as compared to \$160.12 billion in 2020. It is expected to reach \$289.64 billion by 2027, at 7.29% CAGR. As a result of the rising demand for generic medicines and biologics, the capital-intensive nature of the business, and the complex manufacturing requirements, many pharmaceutical companies have identified the potential profitability in contracting with a CMO (contract manufacturing outsourcing) for both clinical and commercial stage manufacturing. The most significant factor driving growth of CMOs is the growing need for state-of-the-art processes and production technologies, which have proven significantly effective in meeting regulatory requirements.

The pharmaceutical companies have been directing their priorities toward core competency areas and prefer not to dispense available resources, expertise, and technology on formulating the final dose of medicines. The increased competition and shrinking profit margins compelled the pharmaceutical companies to revisit their production processes and R&D activities instead of manufacturing the formulated drug to stay competitive in the market. The complexity of the biopharmaceuticals and the highly personalised medical therapies and devices drive the increased complexity in the supply chain operations and lead to increasing reliance on contract manufacturing.

**\$183.62 Billion**  
Global pharmaceutical  
CDMO market in 2021





### Key trends

The CDMO market growth is expected to be driven by increasing investments in R&D.

The United States is the largest market for drugs worldwide and accounts for about half of the R&D expenditure in the pharmaceutical and biotechnology markets. Hence, CMOs play a critical role in this market and have invested in new facilities and technologies to cater to a wide range of outsourcing units. Besides capturing the benefits of a location in Asia through an in-house investment, the companies are also turning to research-based partnerships as a way of high-end sourcing expertise, building drug discovery, and manufacturing investments in Asia.

The gradual change in the working principles have led to the shift in pattern, from cost-control to re-emphasis on value-added services. CDMOs have

allowed their integration into the value chain of companies.

Among dosage forms, sterile liquids are witnessing strongest growth in outsourcing of development and manufacturing activities. R&D investments, as well as capacity expansions, are expected in the injectable and sterile liquid dose formulations segment. Small biotech firms get access to specialised knowledge and resources, which help them expedite their R&D activities. Greater technological complexity in drug development and greater specificity in targets helped in the average R&D costs, as firms identify drugs with particular molecular characteristics, as opposed to using trial-and-error methods to find compounds that work in the desired way.

*(Source: Pharmaceutical CDMO Market | 2022 - 27 | Industry Share, Size, Growth (mordorintelligence.com))*

### Opportunities

- Huge potential for upturn in outsourcing ratio for CDMOs
- CDMOs are increasingly resorting to data-driven techniques to make manufacturing more efficient
- Technological innovation and advancement will further optimise the performance of the product, making it more widely used in downstream applications

## BUSINESS OPERATIONS

With nearly four decades of experience in the pharmaceutical world, Neuland Laboratories Limited has emerged as a leading market player with presence in around 80 countries. Neuland is one among the leaders in manufacturing APIs, complex intermediates and custom manufacturing solutions services. It is a well-known one-stop solution for all the chemistry needs of the pharmaceutical industry. Generic Drug Substances (GDS) and Custom Manufacturing Solutions (CMS) are the two main business verticals. Neuland's peptide synthesis services include production of peptides from milligrams to multi-kilogram scale by standard sequential chemical peptide synthesis and segment condensation strategies. Neuland has expertise in solution phase synthesis, solid phase

synthesis and hybrid technology for complex peptides.

The Company has a significant global presence and earns more than 75% of revenues through exports. It has three world class US FDA and EU GMP compliant manufacturing facilities. The facilities have successfully cleared 15 USFDA audits and comply with all regulatory guidelines and requirements of Current Good Manufacturing Practices (cGMP). The collective capacity of the three facilities is around 907 KL. 70% of total exports are to the US and European markets. The Company has filed over 916 Drug Master Files (DMFs) worldwide.

The Company boasts of a technologically advanced 3,400 square metres R&D centre housing a scientific team of over 300, near

Hyderabad. The Company's strength is its expertise in manufacturing of APIs and advanced intermediates. The Company seamlessly ensures application of strong process chemistry to manufacturing in a regulatory compliant environment, supported by its strong, well-qualified team of more than 1500 employees.

The Company facilitates and accelerates drug development and cGMP manufacturing of APIs to provide a wide range of solutions and services across the globe. The Company has strong API capabilities and provides services such as cost-effective synthesis, IP protection and regulatory expertise. It serves the customers across the full spectrum of the product lifecycle, from preclinical all the way to generic, with a track record of over 75 APIs scaled up.



## FINANCIAL PERFORMANCE

### Statement of Profit & Loss

FY 2022 was a mixed bag. The year was marked by a flat revenue primarily attributable to weak GDS offtake due to volume drop in certain key products. The Company's input cost structures experienced an unusual increase which impacted earnings. However, Neuland remains focused on building execution excellence and is confident about the long-term prospects of all the businesses despite facing certain technical issues with some late stage CMS projects. Given strong focus on delivering complex projects in line with clients' technical requirements, the overall business is expected to grow as per expectations with margin expansion over the long term.

The Company's revenue remained flattish at ₹ 953.2 crores in FY 2022 as compared to ₹ 953 crores in FY 2021, led by logistics issues and sharp increases in manpower costs and other expenses related to commercialisation of Unit-3, EBIDTA saw a drop of 11.2% to ₹ 144.3 crores in FY 2022 as compared to ₹ 162.5 crores in FY 2021. Profit after tax further declined 20.9%, due to higher depreciation on account of Unit-3 commercialisation, to ₹ 63.5 crores in FY 2022 as compared to ₹ 80.3 crores in FY 2021.

### Interest Coverage Ratio

Increased by 31% to 16.0 in FY 2022 from 12.2 in FY 2021 on account of lower working capital utilisation and lower rate of interest owing to continuous negotiations with the lenders.

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

Operating Profit Margin decreased by 23.6% to 10% in FY 2022 (₹ 95.2 crores) from 13.1% in FY 2021 (₹ 122.9 crores). The decline in margins was due to flat revenues and elevated costs across the value chain, for example, logistics, power and fuel, consumer goods and also supply chains delays and disruptions coupled with volatility in procurement prices of various raw materials, increase in manpower cost and other expenses related to Unit III commercialisation.

### Net Profit Margin (%)

Net Profit Margin declined 170 bps to 6.7% in FY 2022 from 8.4% in FY 2021 due to the reasons discussed above and also higher depreciation led by Unit 3 commercialisation.

### Net Debt to Tangible Net Worth Ratio

Net Debt to Tangible Net Worth Ratio increased by 25.9% to 0.38 (FY 2022) from 0.30 (FY 2021) on account of increase in long term debt primarily due to sanction and disbursement of Foreign Currency Term Loan of ₹ 42.6 crores to partially fund the capex outflows of ₹ 95.9 crores. In addition, working capital borrowing increased to meet the business requirement owing to two reasons (a) higher receivables due to high volume of customer orders due for delivery at the end of the year (b) decline in payables due to increased number of MSME vendors as per the regulations and rationalised procurement activity in Q4 FY22.

It may be noted that the current Net Debt: Tangible Net Worth ratio of 0.38 is low compared to the acceptable norm of 1:1, highlighting the Company's healthy capital structure.

### Current Ratio

Current Ratio increased by 7% to 1.58 (FY 2022) from 1.47 (FY 2021) primarily on account of increase in inventories owing to advance procurement strategy of key raw materials to avoid future possible global disruptions, increase in accounts receivables coupled with decrease in accounts payables.

### Cash Conversion Cycle

The Cash Conversion Cycle (No. of Days of Sale) is 149 days as against 122 days in FY 2021. The increase is attributable to increase in inventories, receivable and decrease in payables. Specific reasons for each of the attribute is stated in detail in above paragraphs.

### Return on Capital Employed & Return on Invested Capital

Return on capital employed decreased by 28.3% at 9.7% against 13.5% in FY 2021 and Return on invested capital is at 6.7% as compared to 9.7% last year. The decrease is on account of lower operating margins for the reasons stated above along with higher capital base for capex investment and working capital requirements.

### Fixed Assets Turnover

The Fixed Assets Turnover Ratio is at 2.08 as compared to 2.35 in FY 2021. The Company has made the capex investment of ₹ 101.7 crores during the year attributable to investment in U3 to improve the occupancy and efficiencies and towards new CMS projects, these investments would play a vital role in setting the future growth trajectory in medium to long term.



**Given strong focus on delivering complex projects in line with clients' technical requirements, the overall business is expected to grow as per expectations with margin expansion over the long term.**

**R&D Investment**

In FY 2021-22, the total R&D spend was at ₹ 36.4 crores which is at 3.8% of the total revenue as compared to ₹ 22.9 crores in FY 2021. The Company has further strengthened R&D capabilities by adding scientific personnel, technological equipment, and an additional Lab.

**GENERIC DRUG SUBSTANCES (VERTICAL I)**

The Company has established itself as a service provider in the manufacturing of Generic Drug Substances since starting operations. This vertical is the core business and operational expertise. The vertical is further segregated into two segments for effective and efficient management. The first segment, prime APIs comprises of the large volume, mature products while the second segment, specialty APIs, comprises of the lower volume, complex APIs with less

competition. The Company's product portfolio spans across 11 therapeutic categories around 65 APIs.

**Prime APIs**

Aided by its three US FDA and EU GMP compliant manufacturing facilities with a collective capacity of ~900 KL, the Company works on a molecule with a business leadership approach or in a partnership with client. The segment comprises of around 15 mature large volume, APIs in a highly competitive market. The key molecules in this primary revenue generating segment are the anti-epileptic agent, Levetiracetam and the anti-depressant, Mirtazapine. Other important molecules include Levofloxacin, Ciprofloxacin, Enalapril, Sotalol and Labetalol. In its over three-decade journey in the segment, the Company has thrived to establish leadership in identified strategic

molecules with strong dedication to fulfil quality commitment and uninterrupted supply. Constant endeavour to optimise process and improve yields, productivity and margins enables the Company to maintain its leadership position in key molecules. The Company continues to invest in lifecycle management initiatives.

**Specialty APIs**

The segment comprises of more than 25 low volume, high value, complex APIs in a less competitive market. Speciality API is the profit driving segment for the organisation that leverages its core competencies in process chemistry involving Chiral chemistry, hydrogenation and inhalation products. Certain molecules enjoy patent protection and are supplied for validation batches and regulatory filings. Some of the main revenue generating molecules include Brinzolamide, Dorzolamide, Deferasirox, Donepezil, Entacapone and Salmeterol. The Company continues to strive to excel in specialty APIs and in filing IP for non-infringing processes.

**Key highlights for 2021-22**

- In terms of the prime business, products like Labetalol and Levofloxacin performed well, but products like Levetiracetam which had been doing well historically faced challenges. This is attributable to low customer off-take due to high inventories.
- Specialty business performed well. Products like Entacapone, Salmeterol and Ezetimibe witnessed robust growth.
- There are nine projects under progress at various stages of development for the generic business.
- The Company filed five DMFs for Vilanterol, Aripiprazole Monohydrate (sterile), Tafamidis Meglumine, Linezolid and Elagolix Sodium.





### Prospects

The GDS vertical is of strategic importance with specialty segment driving profit-led growth. The prime segment drives revenue for the vertical as generics become commonplace with increasing patent expiry. The Company will continue to foray into newer geographies in the prime segment. In the specialty segment the focus will be to penetrate deeper in the existing markets. For molecules like Mirtazapine, Labetalol, Sotalol it has been a constant endeavour of the Company to dominate the market to leverage economies of scale and improve profitability.

During FY 2023, the Company is likely to file 6 US DMFs. Once commercialised and the patent expires, these molecules will contribute significantly to the growth of the vertical. Even during the development phase some of these molecules, are expected to clock revenues. Quality-led portfolio is enabling strengthening the market position in both prime and specialty API segments.

As Unit III became fully operational during FY 2022, it led to short term increase in expenses which is inevitable for building a sustainable long-term business. The Company is looking towards cost effectiveness through process improvement programs for all products and also endeavouring to improve operational efficiencies.

### CUSTOM MANUFACTURING SOLUTIONS (VERTICAL II)

The Company's proven expertise in chemical process development to manufacturing at varied scales, a deep understanding of complex chemical processes and manufacturing drives its stronghold in the CMS business. CMS business is a high-uncertainty, high-margin, business wherein the Company caters to the needs of pharma and biotech companies. The facilities are compliant as per cGMP requirement and meeting environment and safety standards.

Backed by an excellent compliance history and track record, Neuland is equipped for molecules which are Pre-clinical all the way through Phase I to commercial API manufacturing and beyond genericisation, enabling its customers to deliver the products by providing a range of technology platforms and product services maximising the value opportunity.

The Company has established a niche for itself as one of the important players in the CMS segment catering to leading pharmaceutical and biopharma companies worldwide. It plays a crucial role in drug substance development and manufacturing process. Neuland offers integrated and versatile GMP manufacturing facilities capable of handling complex reactions and ensures the experienced transfer of processes from small-scale through validation to commercial manufacturing. It follows a consultative approach on customer relationships. Through its dedicated local teams at Hyderabad, New Jersey, Switzerland and Tokyo, Neuland helps its customers to expedite their discovery-to-market timelines with technical as well as commercial employees. Its services include manufacturing API to customer specifications, designing and developing manufacturing processes, process optimisation for competitiveness, acts as a complete CMC partner for the API.

#### **In CMS, revenue generation is primarily through:**

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

The Company undertakes process chemistry, analytical R&D and lab-scale work and manufacturing operations

for molecules which are in the clinical pipeline. These projects are usually high margin but with lower probability of repeat business. Neuland has, however, emerged as a reliable partner on the innovation journey.

##### **II) Commercial Manufacturing**

The Company manufactures intermediates/ APIs for commercial novel molecules, covered under patent protection. This enables the Company to earn steady revenue amidst limited competition being the only or one among a few approved suppliers. Volume increases once the approved formulation is globally approved. The current pipeline has a healthy mix of projects at various stages of product life-cycle. There are certain late-stage development projects likely to transform into commercial manufacturing contracts with long-term revenue visibility.

#### **Key highlights for FY 2021-22**

- The year was marked with CMS vertical growing marginally and recording revenues of ₹ 282 crores. This is in comparison with ₹269 crores in FY 2021, resulting in 4.8% growth YoY despite a significant drop in sales of one of the oldest commercial products.
- During the course of the year two projects were commercialised, which would be key to the growth of commercial revenues.
- The Company has a fairly healthy pipeline of phase III and early development projects which will be commercialised in the near future and have the potential of being significant contributors for the Company .



**The Company does significant business with Biotech companies and has a proven track record of delivering complex late-stage projects. This attribute is expected to differentiate the Company, establishing it as a reputed CMO.**

#### **Prospects**

It has been a constant endeavour to create a sustainable CMS business that is driven by technology and strong customer relationships. The potential of the CMS projects especially in phase III, Development and Commercial with FY 2022 revenue nearing the ₹300 crores mark, bodes well for long term business outlook. The current pipeline includes 81 active projects with 23 projects in Phase-III and Development stages. It is expected that one or two molecules will also get into commercial in FY 2023. The Company is well placed in the CMS vertical with a strong focus on molecules in the later stages of the clinical cycle. The Company is committed to add depth in technical capabilities. It is looking to invest in QBD labs, strengthen process engineering and foray into new chemistry capabilities. It remains focused on effectively improving customer relationships and leveraging portfolio expansion.

The Company does significant business with Biotech companies and has a proven track record of delivering complex late-stage projects. This attribute is expected to differentiate the Company, establishing it as a reputed CMO. Neuland has been working continuously to improve its project delivery timelines and create a very collaborative project management interface. Due to the high level of complexity of these projects, the team works collaboratively with customers during the journey of commercialising a New Chemical Entity (NCE).



## HUMAN CAPITAL

Human capital is a crucial link in the growth story of Neuland. The Company is committed to nurturing its talent pipeline towards building a high-quality team to meet the requirements of a nimble business environment. The Company has implemented various skill and career development programs aimed at enabling employees to deliver at their optimal potential. Employee safety and wellbeing have been the topmost priorities for the Company amidst COVID-19 pandemic.



### Talent Acquisition

Being a part of an increasingly complex world of work arrangements and employment channels, the Company realises that early recognition of talent and provision of opportunities for skill upgradation and career growth are essential to have a productive, sustainable, and engaged workforce. The Company, thus, continues to invest in multiple programs in this direction.

The Company has built strategic partnerships with educational institutes of repute with special focus on developing strong business and managerial leadership capabilities through 'Neuland Management Trainee (NMT) Program'. Management Trainees receive visibility to Company's operations and are continually enriched through interactions with C-Suite.

In order to further strengthen its entry pipeline in the next fiscal year, the Company has entered also into partnership with several management, pharma and vocational training institutes.



### Talent Management

The Company's talent engagement program aims at engaging and recognising talent pools to keep them motivated and committed at all times. The Company constantly identifies high-potential talent from within and invests in nurturing them to embrace broader responsibilities. Several programs have been initiated to enhance functional, leadership, and technical skills to enable a strong leadership pipeline, including succession planning. The Company has continued its Management Trainee Program wherein over 60% of the management trainees were retained and moved into more challenging roles.



**Learning & Development**

Being a learning-focused entity, several learning and development initiatives have been undertaken keeping in mind both short-term and long-term goals of the Company. To strengthen employee skills, the Company has introduced several online learning initiatives including compliance trainings. As the Company prepares for the future, building people's capabilities is pivotal. As a part of online learning program, around

150 employees have been enrolled across the Company for Lean Six Sigma, Project Management Program and MS Excel training. Over 70 manufacturing employees have been enrolled for online Life Sciences Sector Skill Development Council (LSSSDC) platform for imparting 360-degree GMP course.

In line with the philosophy - 'the more reviewer is vigilant the less will be the mistakes', the Company has strengthened its Quality Review Mechanism. Sensitisation sessions were conducted for its reviewers along with pre and post assessment.



**Employee Experience**

The Company has implemented several digital transformation initiatives to enhance employee experience, improve transparency and enable ease of access to employee information when required for making key business decisions. The Company has implemented SAP SuccessFactors cloud based comprehensive human capital management system, which is the primary source of employee-related information from hire to retire stage.







## RESEARCH AND DEVELOPMENT

The Company prides itself in following a strong research driven business approach, continuously engaged in research on new products and process improvement on existing products as part of continuous improvement. It's R&D facility is approved by the Department of Scientific and Industrial Research (DSIR). During the year, the Company focused on building processes and systems for efficient new product development, strengthened R&D capabilities by adding specialised scientific personnel, high end equipment and an additional Lab. It's a constant endeavour to keep the R&D lab updated with the latest technology and software. As a part of technology absorption and adoption, once technology is developed for a product, it is tested in a pilot plant and thereafter commercial production is performed. Innovation is enabled by an incremental approach towards cost, time, safety, quality and complex product development by adopting and upgrading technology.

### Key Initiatives of FY 2022

The R&D team successfully added new molecules, filed 5 USDMFs, 15 filings in Europe, 4 DMFs in Brazil and 18 DMFs in rest of the world during the year. Besides strengthening the product

portfolio, the Company has provided development support to APIs in Phase 2 and Phase 3 clinical development.

Life cycle management of the existing manufacturing processes for APIs resulted in lower production costs, reduced cycle times, and customer retention. The Company filed for eight patent applications, seven in India and one in PCT. During the year, the Company has also developed two generic peptides to be used as an Active Pharma Ingredient. The Company was awarded 'IP facilitator of the year for excellence and innovation' from Assocham.

The Company currently has over 80 Custom Manufacturing active projects with several projects in late-stage product development. The Company has attained competency in manufacturing of sterile API and also developed Aripiprazole Monohydrate during the year.

### R&D infrastructure

The Company further strengthened R&D capabilities by adding scientific personnel, technological equipment and an additional Lab. The Company strengthened the R&D team with the addition of experienced scientists who brought new capabilities to the

group. Similarly, on the analytical and regulatory teams, the Company has very efficient and qualified people. On the equipment front, the Company added automated machinery, analytical tools like hygroscopic determination equipment, etc. To its already strong equipment range, during the year, the Company added additional equipment on the analytical and safety front. FBRAM is used for the determination and the development of polymorphs and crystallinity of the product which helps in designing and developing. Analytical instruments like LCMS, ICPMS, XRPD help in improving research and product quality parameters management. The Company has also created additional spaces for starting new areas like separation sciences, purification lab.

### Priorities

High value molecules involving complex chemistry, automation, upgradation of testing equipment, digitisation and knowledge of complementary new technologies remain the key focus areas of the team. Significant investments are dedicated for further enhancing safety aspects like online monitoring and testing. These focus areas will result in development of unique products and processes to enhance customer satisfaction.



**SUPPLY CHAIN MANAGEMENT**

FY 2022 witnessed continuous churns and disruption in supply chain management (SCM) across the globe led by

- Geo-political conflicts and uncertainty
- Continued localised COVID-19 related disruptions leading to manpower shortage
- Global Force Majeure/Plant shut-downs in world’s prime manufacturers of liquid solvents
- Coal Shortages owing to falling mine output due to rains and floods across Asia, this led to 500% jump in coal prices worldwide from Nov 2020 to Oct 2021
- Sea container shortages and Port congestions leading to higher freights and longer lead-times
- Protracted airfreight lead-times owing to absence of passenger aircrafts
- Disruptions in US led by adverse weather and export controls on key chemicals

- Major increase in crude prices
- Above events ensued in increased prices of basic chemicals, solvents, and metals

To overcome these challenges and to ensure smooth business functioning, the Company undertook several measures. It forecasted requirements in advance to cover important materials and stocked up critical items in external and customs bonded warehouse. Wherever prices were volatile, the Company took forward contract coverage. The Company also made volatilities and uncertainties transparent across the organisation, to make the supply chain more responsive, enabling quicker decision making and initiation of counter measures. The Company continued to reduce dependency on China for sourcing Key Starting Materials (KSM) and intermediates for most APIs.

**Key Initiatives of FY 2022**

The Company is in the process of digitising logistics procurement and procure to pay functions by adoption

and implementation of PRM360 and Gocomet. Procurement Process have been made completely transparent enabling equal opportunity to all the vendors by competing in a transparent e-auction through PRM360 Portal which helps to nurture competition amongst vendors to exploit the best price. Over 90% procurement is done through PRM360.

Gocomet has enabled tracking of outbound shipments and provide better trackability and visibility, thereby better customer service.



**The Company is committed to price discovery and increasing visibility through digitisation of its supply chain and will continue to de-risk the supply chain by qualifying two or more vendors for KSMs.**

The Company undertook vendor de-risking for key products like Levofloxacin, Sotalol, Entacapone, Rabeprazole, Rivaroxaban, Mirtazapine. The Company also undertook Indian vendor qualification for Ciprofloxacin and Entacapone in its effort to reduce China dependency.

There was a protected impact of price increase due to stocking up price volatile raw materials.

### Priorities

Though it may not possible to eliminate China from supply chain, the Company is committed to reduce its direct sourcing dependency from China. Currently the Company is dependent on China for 13% of its raw material and aims to further

reduce this dependence to less than 10% by FY 2023. The Company has developed qualified sources from India, Europe and US so that multiple sources are available making the supply chain sustainable. The Company is constantly working to shorten the supply chain and develop geographically closer sources.

The Company is committed to price discovery and increasing visibility through digitisation of its supply chain and will continue to de-risk the supply chain by qualifying two or more vendors for KSMs. The Company is also working to develop a sustainability framework for assessing key vendors. For better price prospecting the Company is working on mapping supply chain pathways and tracking cost drivers for cost control.

Digitalisation of supply chain is also a key focus area with the aim to make the entire purchasing process non-physical and development of B2B procure to pay software. The process has been accelerated substantially from the outbound logistics side and into the inbound procurement side.

The Company remains committed to enhancing procurement effectiveness and efficiency. For in-depth understanding of supply chain, the Company is powering up capacities using CMO model and supply chain mapping and pathways. This enables to map and monitor all its supplies and touch points and gauge vulnerabilities or dependencies. The Company remains committed to enhance manufacturing capacity in terms of increasing agility and flexibility allowing multi-product production, quick response to changing customer needs and promptly start work in reserve capacity.

### Dependent China Procurement



### QUALITY ASSURANCE AND CONTROL

Neuland complies with stringent international standards and constantly strives to exceed the customer's quality expectations. Comprehensive quality management framework and practices ensure strict compliance to all pharmacopoeia and various customer specific requirements. The Company has significantly improved attention to detail by focusing on product and process improvement and enhancing quality. Policy implementation is prompt and at times ahead of legislation due to focused monitoring of possible direction of regulations and standards. In the course of its operations, the Company has cleared over 35 regulatory authority inspections, including 15 FDA audits. On an annual basis close to 150 customer audits are conducted. During the year, at unit III, successful regulatory inspection was completed and the Company expanded laboratories with one new world-class QC laboratory built for quality control. In terms of Proctor graphics systems, the



Company switched from lab solution to Empower 3, a thorough software to mitigate any communication gaps.

### Key Initiatives of FY 2022

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

- **LIMS for Quality Control Laboratories across three sites**

Laboratory Information Management System (LIMS) implementation in the labs will allow automate workflows with no physical interventions, integrate instruments, manage samples, effectively manage associated data and reduce the need for physical paper. This will become fully implemented in FY 2022-23.

- **Document Management System**

Document Management System will be implemented to achieve accuracy and paperless Quality Assurance . The Document Management System that will help capture, track and store electronic documents and digital images of paper-based content.

- **First Time Right through robust Technology Transfers**

First time right is one of the top priorities for the organisation. First Time Right through robust Technology Transfers, structured protocol checklist to reduce product/process failures during scale-up Quality assurance drives this process with the critical process parameters, process controls, materials nature, etc. It also assists in selection and mapping of equipment on utilities at the scale in the sites. The first-time right concept benefits all technologies in both CMS and GDS, in terms of robust chemistry methods, better results as it is based on requirements given by the customers and R&D, preparation process, lab assurance, etc.

- **Reduction of customer complaints**

Implementation of Project Management Systems enabled 40% reduction in customer complaints year on year, with further efforts from the quality assurance and quality control team for a greater reduction in complaints. The automated process involved communication with customers, investigation, root cause analysis and corrective and preventive action.

- **Scalability of QA, QC teams in order to meet the CMS customer services**

Customer requirements differ from one customer to another. Hence, it is imperative that the team possesses the right skill set to communicate, effectively and periodically, with the customer to understand requirements and to communicate the Company process in terms of analysis, documentation, turn around time, quality assurance and adherence to quality agreement. The Company provides adequate training sessions to enhance customer communication to identified employees.

- **To enhance the quality of investigations**

Investigation plays a vital role in achieving robust root cause analysis, investigation management, effective corrective and preventive action and quality of reports. As most products are continuous products, it is imperative to complete the investigation promptly with timely identification and fixing of the root cause so that the batches in the pipeline do not fail in the same aspect. Also the process of failure investigation needs to be robust and prompt, especially in view of regulatory inspections like USFDA, to maintain repute. The management weekly monitors process robustness, investigation status,

report documentation, and effectiveness of scientific rational, CAPA. A senior professional has been recruited as a single point of contact on the quality domain reporting to the head of Quality, for effective process reporting for all failure investigations and seamless coordination between R&D, manufacturing, QC, QA and TSD.

- **Expansion of document archival**

As per guidelines, all GMP documents and development products life cycle reports are required to be stored for min of six years. The Company is in process of establishing a facility for document storage at Unit III.

### Priorities

- Round the clock 24x7 GMP compliances across the sites and all-time inspection readiness
- Robust technology transfers allowing First Time Right processes
- Scientifically based closure of failure investigations with sufficient reasoning
- Aggressive TAT (Turn Around Time) enhancing QC efficiency for analysis
- Reduction of errors (Lab OOS & Lab incidents)
- Strengthening of Quality Units with Quality of Manpower
- Scale people capabilities to meeting rising expectations from CMS customers



## INFORMATION TECHNOLOGY

With the emergence of COVID-19, IT has gained center stage and became a business enabler function. The robust IT framework at Neuland has enabled effective and seamless workflow throughout offices and operations worldwide. IT modernisation has made the organisation more cohesive and closely connected. Data protection and confidentiality being critical the Company works with innovator companies, significant investments in IT are imperative.

### IT Infrastructure

COVID-19 pandemic imposed an unprecedented challenge mandating the use of face recognition along with a temperature control system. This being the safest and fastest method of security such systems were implemented across all locations. Virtual Desktop Infrastructure (VDI) was implemented for up to 90% of the organisation to improve hybrid working and security. The need emerged as the data can be stored safely in one central location and also enables the users to have remote access

### Enterprise Application

The Company is working on improving its Resource Management which includes planning, scheduling, and allocating the resources to the right project at the right time to maximise profitability. The Company undertook IFC Automation to improve the governance process. The Company implemented contract workforce management for contractors in all locations to efficiently manage attendance and payroll of the contract workforce.

### Data Security

Vulnerability Assessment and Penetration Testing (VAPT) was conducted for businesses wherein critical devices were tested for the resilience of IT infrastructure enabling identification of the possible route attackers could use to break into the Company network. Security Information and Event Management (SIEM) was implemented for the early detection and identification of potential threats. The Company upgraded bandwidth across locations by 100% of the previous year. Other initiatives include effective implementation of network monitoring tool, centralised cloud-based WIFI

infrastructure, and email spam and phishing filter.

### Priorities

- Committing to the Hybrid Multi-Cloud Adoption
- SAP BPR, Upgrades, and Customer Relationship Management (CRM) systems
- Data-Driven Digital Enterprise
- Digitisation and intelligent automation initiatives to drive business growth
- Strengthening Cyber Security posture–
  - Advancing XDR (Enhanced Detection and Response) Implementation
  - SIEM and NSX (VMware's Network Virtualisation and Security Platform) implementations
  - Adoption of Zero Trust Framework - PIM (Privileged Identity Management) / PAM (Privileged Access Management)
- Reinforcing privacy to protect customers, clients, partners, and employees
- Building Resilient IT Operations with robust Business Continuity Plans
- Enabling Remote Quality Audits with wearables and technology

## ENVIRONMENT, HEALTH AND SAFETY

At Neuland, compliance with all EHS laws is a business imperative. The Company seeks continuous improvement in performance to follow the best practices in global pharma industry. The Company aims to contribute to the common effort to protect workplace environment and integrate EHS into business planning and decision making. The guidelines on Occupational Health and Safety have been upgraded to ISO 45001 standards from OHSAS 18001, in addition to ISO 14001 (Environment Management Systems). Neuland had published its first sustainability report for FY 2020 on 12th June 2021 while that for FY 2021 was published on 30th July 2021.



### Environmental Management

- Effluent treatment is done through zero liquid discharge system facility across all the three units. R&D is provided with sewage treatment plant and the entire treated water is being used for utility make up.
- Emissions control is being handled through regularly operated air pollution control system like double stage scrubbers and ensuring emissions well below the prescribed standards.
- Online Monitoring connectivity analysers including 3 digital flowmeters, VOC and IP Cameras to monitor the pollution values.
- Hazardous waste management is being implemented and handling through collection, storage, transportation, and disposal as per the rules 2016
- All units are ISO 14001:2015 and ISO 45001:2018 certified.
- Storm water drain system and sufficient storage collection tank for collection of first run off rainwater and fire water run-off have be developed in the sites

- ETP Lab facilities on site.
- Solvent recovery plant for recovery of spent solvents. Recovered solvents are being used for manufacturing.
- Storage of liquid chemicals in warehouse on concrete floor with leachate/spillage collection pit.



### Process Safety

- Review and ensure the Technology Transfer document is adequate (Thermal stability, Powder Safety studies and OEL reports)
- Evaluating the Management of change stage wise and recommending the action items for specific changes
- Advising the R&D and technology transfer team for defining the basis of safety for generating the thermal stability studies and powder safety data
- Conducting the HAZOP/HIRA/ risk assessments for the projects with CFT's and prioritising the risk using the risk matrix, based on suggestion from the team.
- Preparation of the risk mitigation plan and verification of HAZOP/HIRA/ Risk assessments recommendations compliance closure at the workplace
- Ensuring incorporation of all the safety recommendations and conducting awareness on HazOp/HIRA Recommendations in the BMS before starting a batch
- Monitoring the critical operations for EHS compliance including NBL, Palladium, High Toxic chemicals handling like DMS ethyl chloroformate etc. at shopfloor



### Water conservation

- Water management focuses on good water accounting practices for support systematic water footprint.
- 100% recycling of Effluent reverse osmosis water for utility's make up and rejected water for multiple effective evaporator (MEE).
- Recovery of steam condensate water and utilisation in the boiler. High pressure pumps have been installed for steam condensate, resulting in increase in recycling.
- Applying principles of reuse, recycle and recovery for manufacturing activities wherever applicable.
- Reduction of water consumption is taken as objective under environment sustainability.



### Effluent management

- Effluents are being segregated at source: High TDS effluent and low TDS effluents based on its TDS and COD values.
- Dedicated effluent collection tanks at manufacturing blocks.
- Above ground effluent transferring system is implemented from production blocks to effluent treatment facility.
- Dedicated environment lab facility is available at all units. Effluent samples are analysed on daily, weekly and monthly basis.
- High TDS effluents are being collected in dedicated collection tanks. Pre-treated effluents are treated into stripper column for recovery of organics. Separation of organics disposed to cement plants for co-processing. Stripped effluents

are treated in MEE followed by ATFD. ATFD salts are disposed to TSDF/ pre-processing.

- Low TDS effluent are treated in the following sequential methodology: (i) primary treatment - clarification, (ii) Secondary treatment- biologically activated sludge treatment, and (iii) Tertiary treatment- activated sludge and pressurised sand filtration system followed by UF and RO Membrane System.
- RO Permeate is reused for cooling tower makeup and RO reject is being treated in MEE system.



### Hazardous waste management

Hazardous and other waste are handled as per hazardous waste management rules 2016. Hazardous waste generated from various production activities, solvent recovery plant and effluent treatment plant, is collected into MS drums/ double layer polythene bags and transferred to hazardous waste storage area along with proper labelling on the containers. Only trained people are allowed to handle hazardous waste. It is stored under the roof with concrete floor and leachate collection pit. It is disposed to PCB-authorized vendors for co-processing or at AFR facilities for

pre-processing. Hazardous waste annual returns is submitted to TSPCB in Form-4. Bio Medical waste is disposed to TSPCB authorized Common Bio-medical Waste Treatment Facility (CBWTF).



### Emissions management

Stack Emissions are monitored on monthly basis by MoEF&CC approved laboratory and reports are submitted to TSPCB. VOC level at workplace is closely monitored. Vent condensers or nitrogen blanking system were provided to solvent storage tanks. Solvent emissions are controlled by transferring solvent by using pumps, primary and secondary condensers to the reactor vents and mechanical seals to reactors and solvent handling pumps. Multistage solvent recovery plant is operated by using multi-stage utilities for improving efficiency.

### EHS performance monitoring

- Conducting internal audits and managing the customer audits and provide timely responses on the questionnaire and corrective and preventive actions
- Conducting safety training for employees, and temporary and permanent contractors

- EHS risk register tracking of compliance of its recommendation's implementation and closure throughout unit
- Preparation of safety CAPEX and OPEX requirements
- Responsible for execution and timely closure of the projects
- Permit to work system for all non-routine activities
- Coordinating with the factories department for all statutory and legal requirements on timely basis
- Regular site inspection for unsafe situations identification, hand holding for rectifications, advising for CAPAs closers etc.
- Reviewing the new/renovation projects, layouts, facilities and suggesting the recommendations from EHS aspects
- Assisting the CFT's to investigate incidents and identify the root cause
- Ensure the effectiveness of corrective and preventive actions at workplace
- Managing all potential emergency scenarios through mock drills on regular basis
- Conducting promotion activities like National Safety Day, Road Safety Day, Environment Day

## Sustainability Framework

### Building a low carbon economy

through innovation, resource optimisation, operational efficiencies and environment management

### Empowering our people and communities

by making health and safety an integral part of everyday business and culture

### Contributing to the sustainable development

of communities through engagement, partnerships and initiatives that make a lasting positive impact

## INTERNAL CONTROL AND AUDIT

The Company has devised comprehensive internal control systems commensurate with the size and nature of business and industry in which it operates. The internal control systems are built in compliance with applicable laws and statutes. The systems ensure adequate assets safeguard and efficient productivity at all levels. The control systems are crucial for securing sensitive data, easing out audit process, maintaining proper accounting controls, monitoring operations, conservation of assets, preventing frauds and errors, executing authorised transactions, safeguarding assets from unauthorised use and ensuring compliance with corporate policies.

The empowered authority is allowed to approve contracts and expenditure as per defined limits. Processes to articulate annual and long-term business plans are clearly defined in the systems along with periodic review. The effectiveness of the internal control over financial reporting (as defined in Clause 17 of SEBI Regulations 2015) was assessed by the management as of March 31, 2022. The audit committee evaluated internal financial controls (as defined in section 177 of Companies Act 2013 and Clause 18 of SEBI Regulations 2015), as on March 31, 2022, and concluded the systems to be appropriate and operating effectively. The financial statements included in this annual report have been audited by MSKA & Associates, the statutory auditors of the Company who have issued an attestation report on the internal control over financial reporting (as defined in section 143 of Companies Act 2013).

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

Business specific compliances such as quality management, production management, information security, etc. are periodically reviewed and audited by specialised third party consultants and professionals. The audit committee reviews the management reports and audit reports submitted by internal auditors and statutory auditors. Improvements and corrective actions as required are also suggested by the Audit committee. The audit committee and the statutory auditors discuss and review the adequacy of internal control systems. Major observations from this meeting are discussed with the board of directors periodically.

The Audit Committee concluded that Company's internal financial controls were adequate and operating effectively, based on its evaluation (as defined in Section 177 of Companies Act 2013 and Clause 18 of SEBI Regulations 2015), as on March 31, 2022.

## RISK MANAGEMENT





Effective risk management process is crucial for achieving strategic and operational goals amidst an ever-evolving environment. The Company acknowledges that certain intrinsic risks are inherent and strives to strike a balance between managing risk and exploiting opportunities. During the year, the Company undertook an ERM enhancement program to ensure a comprehensive system for identifying risks and monitoring mitigation plans. The board approved a new ERM policy which is comprehensive in terms of its purview. The risks are being rated on the basis of severity and likelihood, while also taking into consideration the dimension of velocity. The entire program is being digitised which will allow for scaling the program across the individual units (R&D, Manufacturing, Sales Offices) and active monitoring of risk and mitigation plans. During the course of the enhancement program, the risk register has been expanded to cover more risks which emerged through 5 Risk Identification Workshops held across the organisation.

Various managers at different levels are responsible and accountable for handling different risks. Identification and prioritisation of risks as per their likely impact is conducted through a formal monitoring process at the unit and Company level. Post initial assessment key responsibilities are handed down to select managers, and implementation of risk reduction actions and appropriate internal controls is ensured.

Some important risks are enlisted below along with steps for mitigation. The list is strictly indicative and not exhaustive.



Risk	Relevance	Mitigation Strategy
 <p><b>Supply Chain:</b> Production disruption hampering client base</p>	<p>The dependence on China for imports mainly in API manufacturing, for raw materials, ingredients and APIs.</p>	<ul style="list-style-type: none"> <li>● Having acknowledged the importance of de-risking supply chain and reduce dependence on a particular supplier, the Company's aim has been to continuously reduce proximity of suppliers</li> <li>● Close co-ordination with sales and R&amp;D teams for raw material planning and availability</li> <li>● The dependence on China for raw material has been reduced to 13% and working to reduce this dependency to less than 10% by FY 2022-23</li> <li>● Though the Company imports from China, there is less direct dependency</li> <li>● Striving to create two or more active and dependable sources for KSM and critical intermediaries</li> <li>● Focus on in-house manufacture of some of the intermediates at Unit III</li> </ul>
 <p><b>Intellectual Capital:</b> Key to R&amp;D and operations</p>	<p>Human capital ensures business sustainability and profitable growth</p>	<ul style="list-style-type: none"> <li>● Well-designed HR policies ensure sufficient bench at all times</li> <li>● Employees fit for greater work responsibilities are internally promoted and provided with adequate training and skill development programmes</li> <li>● Focus to promote in-house talent for middle and senior managerial roles or recruit from outside as per the need</li> <li>● Open door policy, healthy work environment, job rotation and other initiatives for retaining talent</li> <li>● Position a stronger Neuland brand to attract talent from abroad/ multinationals/post-doctoral/chemical engineering cadre</li> </ul>
 <p><b>Regulatory:</b> Non-compliance a Threat to Operations</p>	<p>Dependence on regulated markets for revenue generation</p>	<ul style="list-style-type: none"> <li>● Constant endeavour to up its ante in terms of safety, health and hygiene, despite having multiple global certifications.</li> <li>● Growing investment in automation of quality management system and monitoring of metrics through QA Dashboard to enhance efficiency and accuracy</li> <li>● Promote high standards of regulatory compliance across all operating units 24x7</li> <li>● Efficient redressal of customer complaints through a well devised structure ensuring non-recurrence</li> <li>● Stringent internal monitoring and review mechanism with exceptions directly communicated to CEO / Quality Head</li> <li>● Initiation of quality focused audits by external party</li> </ul>

Risk	Relevance	Mitigation Strategy
 <p><b>Product Scaling:</b> Impacting growth prospects</p>	<p>Product portfolio expansion is imperative to improve business growth prospects.</p>	<ul style="list-style-type: none"> <li>● Put in place strong Project Management with active monitoring by Cross Functional Team of progress on molecules in various phases of development</li> <li>● The Company works tirelessly to ensure seamless scalability of products from R&amp;D to manufacturing unit.</li> <li>● Any product scaling glitch may cost the Company an existing or a new customer.</li> <li>● 'First Time Right' concept is given utmost importance enlisting a detailed checklist to ensure that every aspect of the process is followed resulting in unified product transfer.</li> </ul>
 <p><b>Geopolitical:</b> Trade wars disrupts business</p>	<p>Conflict between any two countries has direct or indirect bearing on all the economies of the World.</p>	<p>Wide geographical footprint ensures revenue generation is not heavily impacted by disruptions in a particular economy. The Company has also diversified its supplier base to ensure uninterrupted supply under unforeseen circumstances.</p>
 <p><b>Competition:</b> Impact on business revenue and earnings</p>	<p>Prime segment of the GDS vertical profits due to intense competition and a mature product portfolio.</p>	<p>The Company's mitigation strategy includes:</p> <ul style="list-style-type: none"> <li>● Dynamic life-cycle management for all</li> <li>● Special focus to maintain stronghold on current customer base and to enhance market share</li> <li>● Foray into newer geographies to capture new clients and target larger volumes for specific molecules</li> <li>● To improve profits, increased emphasis on the Specialty segment and CMS vertical growth</li> </ul>
 <p><b>Unforeseen Risks like Pandemics/War:</b> Cause deviations from Plans and Strategies</p>	<p>Though not predictable can cause severe losses and damage to near term growth plans.</p>	<p>Agility and foresightedness of the team of experts enables the Company to initiate a prompt and adequate response to any unforeseen risk. The team closely monitors rapidly evolving consumer behaviours and demand patterns with changing environment. Different situations may require reconfiguring strategy, structure, processes, people, and/or technology. Implementation of agile practices and operating models enables organisations to solve specific problems quickly and efficiently. During COVID-19 pandemic, the Company has proved the agility in its operations to face challenges with minimum impact on business.</p> <p>The Company is actively working with alternate factories for raw material supplies and tracking re-opening schedules, clubbing shipments, closing tracking and approving freight amounts, monitoring truck transit and arrival closely and actively pursuing FedEx/UPS/DHL movements based on freight quotes ensuring efficient supply chain management.</p>

## RESPONSE TO COVID

### COVID Management:

The Company ensured 100% covid vaccination for employees. To encourage employee family members to take the vaccination, the Company empanelled with corporate hospitals and provided vaccination for employee's family. The Company conducted COVID antibody testing for selective group for screening purpose and to plan booster dose vaccination on priority. The Company designed and implemented the following protocols:

- 100% completion of Covid vaccination for all employees
- COVID awareness sessions
- Distribution of immune boosting medicines like vitamin C, multivitamins, pocket sanitizers and masks to all employees
- COVID diet chart for adults displayed at canteen and communication on kid's diet chart shared to employee families
- Empaneled with corporate diagnostics for RTPCR/RAT testing
- Pulmonologist consultation
- Psychological support for positive cases and daily health monitoring by OHC team

### Preventive medical check-ups:

The Company promoted medical check-ups for identification of illnesses /disease well in advance followed by implementing preventive measures and mitigate plans to reduce health risk. The preventive medical check-ups were performed twice in a year. The Company also worked to identify health abnormalities, detect newly diagnosed diseases followed by health awareness, counselling

### Medical Monitoring programs:

All employee records were reviewed post medical check-ups and monitored abnormal health of employees followed by communication to employees through specialised formats. Employees with chronic medical conditions are monitored periodically, with medical reports review system in place. The Company also conducted several wellness, awareness

and screening programs based on the results of medical checkup.

### Vaccination drives

The Company successfully conducted following vaccination drives:

- Hepatitis B vaccine inoculation for first aiders, medical team, bio medical waste handlers
- Typhoid vaccination for food handlers
- COVID vaccination 100% completion
- Encouraging employees to take Prevenar vaccination (1st phase age>45)

### CSR Activities:

- Oxygen concentrators distribution
- Medical kits donation to Government hospitals
- Masks and sanitizers distribution to the villagers and front-line warriors
- Voluntary Blood Donation Camps

### Sustainable Health Management

**programs:** The Company undertakes activities like on-site yoga and psychologist, cardiologist, dietician sessions.

### Establishment of Onsite Speciality

**Clinics:** The Company facilitated speciality clinics on-site.

### Tuberculosis Elimination Programs:

Awareness programs on Tuberculosis elimination were conducted to the employees as part of National Tuberculosis Elimination program initiative of the Government.

### Occupational Health related trainings:

The Company conducted various trainings on Occupational health hazards, personal hygiene, strengthening COVID protocols and health management at workplace, health monitoring at workplace, adequate first aid trainings and food safety at workplace.

**Food Safety at workplace:** Periodical food sample testing to ensure good quality of food is being served to employees. Both drinking water and ground water testing to ensure water quality. Personal hygiene training to canteen crew. Personal hygiene training and physical examination of canteen crew.

*LCMS: Liquid chromatography–mass spectrometry (LC–MS) is an analytical chemistry technique that combines the physical separation capabilities of liquid chromatography (or HPLC) with the mass analysis capabilities of mass spectrometry (MS)*

*ICPMS: Inductively coupled plasma mass spectrometry (ICP-MS) is an analytical technique that can be used to measure elements at trace levels in biological fluids.*

*XRPD: XRPD in pharma quality control is primarily concerned with identifying crystalline material, important in regulatory purposes or during development, as well as the different "fingerprint" polymorphic forms of a substance.*



# Directors' Report

The Board of Directors are pleased to present the Company's Thirty Eighth Annual Report and the Company's audited financial statements (standalone and consolidated) for the financial year ended March 31, 2022.

## Financial Performance

The Company's financial performance (standalone) for the year ended March 31, 2022, is summarised below:

	(₹ in lakhs)	
Particulars	2021-22	2020-21
<b>Total Income</b>	<b>95,315.33</b>	<b>95,300.80</b>
<b>Profit before Finance costs, Depreciation, Amortisation and Tax</b>	<b>14,427.06</b>	<b>16,253.81</b>
Finance costs	1,349.44	1,789.75
<b>Profit before Depreciation, Amortisation and Tax</b>	<b>13,077.62</b>	<b>14,464.06</b>
Less: Depreciation and Amortisation	4,903.64	3,967.85
<b>Profit before Tax</b>	<b>8,173.98</b>	<b>10,496.21</b>
Less: Current tax	2,042.19	1,248.29
Deferred tax	(221.55)	1,218.43
<b>Profit after Tax</b>	<b>6,353.34</b>	<b>8,029.49</b>
Add: Other comprehensive income	(599.17)	(139.25)
<b>Total comprehensive income for the year</b>	<b>5,754.17</b>	<b>7,890.24</b>

For the financial year ended March 31, 2022, a Total Income of ₹ 95,315.33 lakhs as against ₹ 95,300.80 lakhs in the previous year.

For the year ended on March 31, 2022, the Company has reported Earnings Before Interest, Finance Cost, Depreciation and Amortization and Tax (EBIDTA) of ₹ 14,427.06 lakhs as against the EBIDTA of ₹ 16,253.81 lakhs during the previous year.

The Net Profit of the Company for the year 2021-22 was ₹ 6,353.34 lakhs compared to ₹ 8,029.49 lakhs during the previous year.

## Business Review

During the year under review, your Company was impacted by various factors including the macro-economic and geopolitical situation combining with the second and third waves of the COVID19 pandemic. We saw a decline in GDS revenues as customers faced inventory pile-up issues for some of the key Prime products. The GDS Specialty business did well as several products contributed to the revenue even in this turbulent period. In the CMS business we saw continued traction even as we saw the commercialization of 2 molecules and saw growth in development revenues even as one of the key molecules was impacted due to genericization. During the year the Company strengthened certain capabilities like Project Management which are crucial to the growing CMS business.

## Dividend

Your directors are pleased to recommend a final dividend of ₹ 5/- (50%) per equity share on face value of ₹10/- each of the Company, for the FY 2021-22. The final dividend, if approved at

the 38th Annual General Meeting, will be paid to members within the period stipulated by the Companies Act, 2013, as amended from time to time. The outflow on account of final dividend is estimated to be ₹ 6,41,49,445/-.

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the dividend distribution policy, is available on the Company's website on website-www.neulandlabs.com

## Share Capital

The equity shares of your Company continue to be listed and traded on the BSE Limited and National Stock Exchange of India Limited. The paid-up equity share capital of the Company as on March 31, 2022 is ₹1,290.05 lakhs. During the year under review, the Company has not issued any shares with differential voting rights nor granted stock options nor sweat equity.

## Outlook

Both business verticals of Generic Drug Substances (GDS) and Custom Manufacturing Solutions (CMS) will continue to be pivotal to the growth of your Company. Highest focus will be maintained on quality, technological excellence and transparent partnerships for deepening existing customer relationships as well as attracting new customers. With several steps being taken to strengthen the organisation internally and enhance customer focus, Neuland is poised to be one of the leading partners of choice for the Pharmaceutical industry in both the GDS and CMS space.

## Consolidated Financial Statements

The Audited Consolidated Financial Statements of your Company as on March 31, 2022, which forms part of the Annual Report, have been prepared pursuant to the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, and also as per the applicable Indian Accounting Standard (IndAS) on Consolidated Financial Statements (IndAS-110) as notified by the Ministry of Corporate Affairs.

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

## Subsidiaries

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

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

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

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

## Directors and Key Managerial Personnel

With deep regret, we report the sad demise of our Independent Director, Dr. William Gordon Mitchell, on December 6, 2021. Your directors would like to place on record their highest gratitude and appreciation for the invaluable contributions and achievements of Dr. Mitchell over the years.

Mr. Davuluri Saharsh Rao retires by rotation at the forthcoming 38th Annual General Meeting and being eligible, seeks re-appointment. The profile of Mr. Davuluri Saharsh Rao is included in the Report on Corporate Governance and the Notice of the AGM.

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

## Listing at Stock Exchanges

The equity shares of your Company continue to be listed and traded on the BSE Limited and National Stock Exchange of India Limited. The Annual Listing fee for the year 2022-23 has been paid to both the stock exchanges.

## Directors' Responsibility Statement

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

- a. in the preparation of the annual financial statements for the year ended March 31, 2022, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2022 and of the profit of the Company for the year ended on that date;
- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, as amended from time to time, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual financial statements have been prepared on a going concern basis;
- e. proper internal financial controls were in place and that the financial controls were adequate and were operating effectively; and
- f. systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

## Board Meetings

During the year under review, five Board Meetings were convened and held, the details of which are given in the Corporate Governance Report, which forms part of this report.

The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

### Composition of various Committees

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

### Board Evaluation

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

### Independent Directors

The Independent Directors met on January 31, 2022, without the presence of non-Independent Directors and members of the management. The Independent Directors, inter alia, discussed matters pertaining to the Company's affairs and reviewed the performance of non-Independent Directors, the Chairman and the Board as a whole, and assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence prescribed under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended. Further, they have affirmed compliance to the code of conduct for Independent Directors as prescribed in Schedule IV of the Act. The terms and conditions of appointment of Independent Directors is available on the website of the Company.

### Disclosures by Directors

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

disclosures to this effect as required under Companies Act, 2013, as amended from time to time.

### Audit Committee

During the year under review, four Audit Committee Meetings were convened and held. The details of the committee meetings and composition of the Audit Committee and its terms of reference are included in the Report on Corporate Governance annexed. All the recommendations made by the Audit Committee were accepted by the Board of Directors.

### Nomination and Remuneration Committee

Your Company has a Nomination and Remuneration Policy as required under Section 178 of the Companies Act, 2013, as amended from time to time, for selection and appointment of Directors, Key Managerial Personnel, Senior Management and their remuneration. During the year under review, two Nomination and Remuneration Committee Meetings were convened and held. The details of the Nomination and Remuneration Committee are set out in the Report of Corporate Governance, forming part of this Report.

### Remuneration Policy

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

### Corporate Social Responsibility

The Company has in place a Corporate Social Responsibility Policy which is available on the website of the Company at [www.neulandlabs.com](http://www.neulandlabs.com). Further, your Company has met its CSR obligations for the FY 2021-22 under the provisions of the Companies Act, 2013 and rules made thereunder.

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

### Business Responsibility Report

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

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

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

## **Vigil Mechanism/Whistle Blower Policy**

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

## **Prevention of Insider Trading**

Pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2018, the Company has adopted the Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their Immediate Relatives along with Code of Fair Disclosures. Periodically, insider trading awareness sessions are conducted for the benefit of designated persons. Trading window closures, when the directors and designated persons are not permitted to trade in the securities of the Company, are intimated in advance to all concerned. Violations of the Code, if any, are appropriately acted on and reported to the SEBI/SEs.

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

The Company is committed to ensure that there is no scope for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder. The Company has not received any complaints on sexual harassment during the calendar year 2021 and as on the date of this report.

## **Employee Stock Option Scheme**

As on March 31, 2022, no employee stock options available in the Company and hence no disclosures are required to be made under Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

## **Statutory Auditors**

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

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

## **Auditors' Report**

There are no qualifications, reservations or adverse remarks made by M/s. MSKA & Associates, Statutory Auditors, in their report for the financial year ended March 31, 2022.

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

## **Secretarial Audit**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended from time to time, the Company has appointed M/s. P.S. Rao & Associates, a firm of Company Secretaries in Practice, to conduct the Secretarial Audit of the Company. The report of the Secretarial Audit for the financial year ended March 31, 2022 is annexed to the Corporate Governance Report and forms part of this report. There are no qualifications, reservations or adverse remarks made by the Secretarial Auditor in their report.

## **Cost Auditors**

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, as amended from time to time, subject to the approval of the Central Government, if any required, the Audit Committee has recommended and the Board of Directors had appointed M/s. Nageswara Rao & Co. (Registration No. 000332), Cost Accountants, Hyderabad, being eligible and having sought re-appointment, as Cost Auditors of the Company, to carry out the cost audit of the products manufactured by the Company during the financial year 2022-23.

## **Insurance**

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

## Material Changes

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

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

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

## Annual Return

Pursuant to Section 92 and Section 134 of the Companies Act, 2013, as amended from time to time, the Annual Return as on March 31, 2022 in form MGT-7 is available on the website of the Company at [www.neulandlabs.com](http://www.neulandlabs.com).

## Particulars of Employees and related disclosures

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

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

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

## Related Party Transactions

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

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

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

The particulars of transactions with related parties in the prescribed format is annexed to this report, as Annexure-5. Members may refer to Note No. 39 to the standalone financial statement which sets out related party disclosures pursuant to Ind AS.

## Particulars of Loans, Guarantees and Investments

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

## Deposits from Public

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

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

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

## Transfer to Reserves

The Company has not proposed to transfer any amount to the general reserve.

## Risk Management

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

## Internal Financial Controls

Internal Financial Controls are an integral part of the risk management process, addressing financial and financial reporting risks. The internal financial controls have been embedded and



documented in the business processes. The controls in place include essential components of internal financial controls required under the Companies Act, 2013, as amended from time to time, and also the internal financial controls over financial reporting as per the Guidance Note on Audit of Internal Controls over Financial Reporting as issued by Institute of Chartered Accountants of India.

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

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

### **Human Resources and Industrial Relations**

Your Company's relations with its employees continue to be cordial. Dedicated work by the workmen, supervisors and

executives of your Company made it possible to achieve success under trying and difficult circumstances.

### **Acknowledgement**

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

**For and on behalf of the Board**

**Dr. Davuluri Rama Mohan Rao**

Executive Chairman

(DIN: 00107737)

Place: Hyderabad

Date: May 10, 2022

# Annexure-1

## Annual Report on CSR Activities

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

The Company's CSR Policy is in alignment with the guidelines provided by the Ministry of Corporate Affairs. It provides for carrying out CSR activities in accordance with the activities specified under the Companies Act, 2013 ('the Act') and any amendments thereof. The Policy is available on the website of the Company, [www.neulandlabs.com](http://www.neulandlabs.com).

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

Sl. No.	Name of Director	Designation/Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Humayun Dhanrajgir	Non-Executive Independent Director, Chairman of Committee	3	3
2	Mr. Davuluri Sucheth Rao	Vice Chairman & Chief Executive Officer, member of Committee	3	3
3	Mr. Davuluri Saharsh Rao	Vice Chairman & Managing Director, member of Committee	3	2
4	Dr. Davuluri Rama Mohan Rao	Executive Chairman, member of Committee	3	3
5	Dr. Nirmala Murthy	Non-Executive Independent Director, member of Committee	3	3

### 3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company.

Ans: [www.neulandlabs.com](http://www.neulandlabs.com)

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

Ans: N.A.

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

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (₹)	Amount required to be setoff for the financial year, if any (₹)
1	2020-2021	17,10,280	12,06,057
<b>Total</b>			

### 6. Average net profit of the Company as per Section 135(5) of the Act: ₹64,45,23,028

7. (a). Two percent of average net profit of the Company as per Section 135(5) of the Act: ₹1,28,90,461  
 (b). Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil  
 (c). Amount required to be set off for the financial year, if any: ₹12,06,057  
 (d). Total CSR obligation for the financial year (7a+7b-7c): ₹1,16,84,404

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

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)					
	Total Amount transferred to Unspent CSR Account as per Section 135(6)			Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer	
1,16,84,404			NIL			

**8(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)	State	District	Location of the Project	Project duration (in months)	Amount allocated for the project (in ₹)	Amount spent in the current financial year	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of implementation Direct (Yes/No)	Mode of implementation- Through implementing Agency
1	Safe Drinking Water-Domadugu	(i)	Yes	Telangana	Sangareddy		8	2,97,900	2,97,900	Nil	Yes	NA
2	Safe Drinking Water-Bonthapally	(i)	Yes	Telangana	Sangareddy		4	5,00,000	5,00,000	Nil	Yes	NA
<b>Total</b>								<b>7,97,900</b>	<b>7,97,900</b>			

**8(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)	State	District	Location of the Project	Amount spent for the project (In ₹)	Mode of implementation Direct (Yes/No)	Mode of implementation- Through implementing Agency	
1	Donation to Society for Cyberabad Security Council, towards distribution of COVID kits	(i)	Yes	Telangana	Hyderabad		20,00,000	No	Society for Cyberabad Security Council	
2	COVID support – (i) distribution of Oxygen concentrators. (ii) distribution of sanitizers, preventive medicines, masks.	(i)	Yes	Telangana	Hyderabad and Sangareddy		35,69,563	Yes	NA	
3	Skill building and Education	(ii)	Yes	Telangana	Sangareddy		53,16,941	Yes	NA	
<b>Total</b>							<b>1,08,86,504</b>			

**8(d). Amount spent in Administrative Overheads : NA**

**8(e). Amount spent on Impact Assessment, if applicable : NA**

**8(f). Total amount spent for the Financial Year (8b+8c+8d+8e): ₹1,16,84,404**

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

Sl. No.	Particulars	Amount (in ₹)
i.	Two percent of average net profit of the Company as per Section 135(5) of the Act	1,28,90,461
ii.	Total amount spent for the Financial Year	1,16,84,404
iii.	Excess amount spent for the financial year [(ii)-(i)]	-
iv.	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	-
v.	Amount available for set off in succeeding financial years [(iii)-(iv)]	-

**9.1. Details of Unspent CSR amount for the preceding three financial years: ₹67,87,000**

**9.2. 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	
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
NIL								

- 10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details):** Not Applicable
- (a) Date of creation or acquisition of the capital asset(s).
  - (b) Amount of CSR spent for creation or acquisition of capital asset
  - (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc
  - (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).
- 11. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per Section 135(5) of the Act:** Not Applicable

**For and on behalf of the Board**

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

**For and on behalf of the Board**

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

# Annexure-2

## BUSINESS RESPONSIBILITY REPORT

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

### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

Corporate Identity Number (CIN) of the Company	L85195TG1984PLC004393
Name of the Company	Neuland Laboratories Limited
Registered address	11th Floor (5th Level), Phoenix IVY Building, Plot No. 573A-III, Road No. 82, Jubilee Hills, Hyderabad, 500033, Telangana,
Website	www.neulandlabs.com
E-mail id	ir@neulandlabs.com
Financial Year reported	April 1, 2021 to March 31, 2022
Sector(s) that the Company is engaged in (industrial activity code-wise)	NIC Code of product/service: 21001 Description: Manufacturing of Active Pharmaceutical Ingredients
List three key products/services that the Company manufactures/provides (as in balance sheet)	Levetiracetam, Mirtazapine, Labetalol/Custom Manufacturing Services
Total number of locations where business activity is undertaken by the Company	International: The Company has two overseas subsidiaries (United States of America, and Japan). The Company has a BD person based in Europe.  National: The Company has 3 manufacturing facilities and one R&D facility in Hyderabad.
Markets served by the Company – Local/State/ National/International	The Company serves both International as well as Domestic markets with presence in around 80 countries either through Sales or alliances. Key markets include USA, Europe, Japan, India, APAC, MENA & LATAM

### SECTION B: FINANCIAL DETAILS OF THE COMPANY

1	Paid up Capital (INR)	₹ 1,290.05 lakhs
2	Total Turnover (INR)	₹ 95,315.33 lakhs
3	Total profit after taxes (INR)	₹ 6,353.34 lakhs
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	The Company spent 1.84 % of profit after tax of FY 2021-22 towards CSR activities.
5	List of activities in which expenditure in 4 above has been incurred	The Company has undertaken CSR projects during FY 2021-22. The detailed list of activities where the CSR expenditure was incurred is included in the Directors' Report which forms part of this Annual Report.

### SECTION C: OTHER DETAILS

- Does the Company have any Subsidiary Company/Companies?**  
Yes, the Company has two wholly owned overseas subsidiaries.
- 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.
- Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**  
The Company does not mandate its suppliers and partners to participate in the Company's BR initiatives. However, wherever applicable, these entities also abide by Company's policies.

### SECTION D: BR INFORMATION

- Details of director/directors responsible for BR**
  - Details of the director responsible for the implementation of BR policy/policies**  
DIN Number : 00108880  
Name : Mr. Davuluri Sucheth Rao  
Designation : Vice Chairman and CEO

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

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

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

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

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

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

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

NA

### 3. Governance related to BR

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

Business Responsibility Report forms as part of the Company's Annual Report and can be viewed on the website of the Company, <https://www.neulandlabs.com>. The Company has also published Sustainability reports for FY20 and FY21.

## SECTION E: PRINCIPLE-WISE PERFORMANCE

### Principle 1: Ethics, Transparency and Accountability

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

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

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

All the policies are extended to the subsidiaries.

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

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

### Principle 2: Products Life Cycle Sustainability

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

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

Some of the APIs considered for the same are:

- Escitalopram
- Labetalol
- Donepezil
- Brinzolamide
- Linezolid
- Propofol

Reduction during sourcing/production/distribution usage by consumers (energy, water) achieved since the previous year by following process:

- Replaced the volatile ether solvents as a part of safety concern;
- Used single recoverable solvents in the process in place of multi solvents;
- Avoided the use of triethyl amine which leads to formation of nitroso impurities;
- Reduced the no of operations which saves time and reduce effluents;
- Quantity of Pd/C which is pyrophoric is reduced drastically;
- For all the above-mentioned products, we have done a detailed risk assessment (HazOp studies and HIRA) and implemented all recommendations;

- These activities resulted into safe operations, increased yield, significant inhouse solvent recoveries with a positive impact on the environment. The risk and improvement for opportunities are captured as per ISO 45001: 2018 Standard; and
- Dehydration of solvent by using molecular sieves reduced steam consumption and solvent loss.

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

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

- All Solvents in the process have been recovered and reused

The initiatives around recycling are:

- Purifying solvent streams coming out from the manufacturing process and recycling back in the process by providing process to Manufacturing.
- Mixed spent solvent generated (which cannot be separated/purified) is sent to thinner manufacturing industry for use as raw material.

**Principle 3: Employee Well-Being**

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

As on March 31, 2022, there were 1,521 employees in the Company.

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

The total number of employees hired on temporary/contractual/casual basis is 1,031 as on March 31, 2022.

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

The total number of permanent women employees is 115 as on March 31, 2022.

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

The Company has two permanent employees with disabilities as on March 31, 2022.

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

Yes

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

7.56%

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

Nil. The Company does not employ any child labor. No case of sexual harassment at workplace was reported during the FY2021-22.

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

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

**Principle 4: Stakeholder Management**

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

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



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

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

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

Yes. The Company focuses on serving disadvantaged, vulnerable and marginalized stakeholders in core areas near to its manufacturing facilities through various CSR initiatives. The Company, undertakes dedicated activities as a part of its CSR initiatives for the disadvantaged, vulnerable and marginalized stakeholders in and around the Company's facilities.

The Company acknowledges the importance of skill development in this competitive environment and currently has more than 50 apprentices in our manufacturing and R&D locations with the motto of developing technical skills amongst chemistry students from economically backward districts in the region. More than 30 students of the Apprentice Scheme who were inducted have been absorbed for full time employment on Company's rolls on successful completion of apprenticeship .

The Company also pursues other local community assistance programmes in and around its manufacturing facilities and office locations.

Through hands on partnership with regulatory authorities, the Company has given donations for Covid related activities and supported the government task force through supply of oxygen concentrators, masks, sanitizers and medicines for government hospitals in and around Sangareddy district.

As a part of village infrastructure development, we have committed construction of water tank for the marginalized communities of Bonthapally village, with an objective to meet drinking water requirements of the marginalized communities residing in Bonthapally village .

**Principle 5: Human Rights**

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

The Company's policy extends to its subsidiaries.

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

There have been no complaints regarding violation of human rights.

**Principle 6: Environment**

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

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

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

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

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

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

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

No.

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

The Company has undertaken number of initiatives including-

- Installation of IE 3 motors, for premium efficiency and help reduce CO2 levels .
- Automation implemented for utilities to reduce the power consumption as well as improve efficiency.
- Capacity banks connected, helped in maintaining power factor closer to unit.
- 10% power saving achieved by implementing these initiatives.

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

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

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

During the FY 2021-22, the Company has not received any show cause/legal notices from CPCB/SPCB.

**Principle 7: Policy Advocacy**

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

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

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

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

**Principle 8: Equitable Development**

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

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

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

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

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

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

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

This information has been provided under CSR Report of the Company. The total amount spent in the financial year under report is ₹ 1,16,84,404.

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

**Please explain in 50 words, or so.**

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

**Principle 9: Customer Value**

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

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

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

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

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

No

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

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

# Annexure-3

## FORM - A

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

### A. Conservation of energy

i. the steps taken or impact on conservation of energy:

During the course of the year, the Company has invested in infrastructure to improve energy efficiency and conserve energy. Some of the steps are listed below:

- Automatic Power Factor Correction Systems installed at Main Power Control Centres and Utilities to improve the Power Factor
- KVAR EC Units installed at Chillers and Air Compressors to improve the Power factor and maintain the required Voltages
- Pressure Transmitter and VFD's installed to RT Pumps, Primary pumps and Secondary pumps which will control the VFD RPM/HZ's as per required pressure and reduce Power Consumption
- Condensate Recovery Systems implemented to collect the Hot water and vapours from condensate lines which will lead to reduction in coal and power consumption
- Auto Matic Tube Cleaning system installed to Brine chiller, which will improve the efficiency of the chiller
- Temperature Closed Loop Operation System interlinked with Chillers and Its Primary Pumps
- Replacing Old Air Conditions with 5 Star rated inverter type Air Conditioning systems
- Arresting Leakages in Air, Steam, HVAC and Refrigeration Systems
- Effimax system for Boilers to improve the Boiler efficiency by controlling the ID, FD fan operations, automatic blowdown and maintain the Oxygen percentage

ii. the steps taken by the Company for utilising alternate sources of energy: The Company is evaluating options, but so far none of the options have met our criteria

iii. the capital investment on energy conservation equipments: The Company has invested around ₹ 88 lakhs on equipment for energy conservation.

iv. Power and Fuel Consumption:

	2021-22	2020-21
1. Electricity		
a. Purchased		
Unit in lakhs (kWh)	416	286
Total Amount (₹ in lakhs)	2,847	2,182
Rate/Unit (₹ /kWh)	6.84	7.63
b. Own generation (Unit in lakhs) kWh	7.9	4.9
(Through Diesel Generator)		
Units per litre of Diesel Oil	3.0	2.9
Cost/Unit (₹/kWh)	31.5	25.3
2. Coal		
Quality "C" Grade used in Steam Boiler		
Quantity (Tonnes)	14,432	14,289
Total cost (₹ in lakhs)	984	845
Average rate (₹ /Tonne)	6,815	5,916

## FORM - B

### B TECHNOLOGY ABSORPTION

i. Efforts made towards technology absorption:

The Company has a full-fledged R&D division continuously engaged in research on new products and process improvement on existing products as part of continuous improvement. As a part of technology absorption and adoption, once technology is developed for a product, it is tested in a pilot plant and thereafter commercial production is performed. Innovation is embarked by an incremental approach towards cost, time, quality and complex product development by adopting cutting edge technology and our philosophy is to continuously upgrade the technology.

ii. Benefits derived like product improvement, cost reduction, product development or import substitution:

- **CMS division project details for the FY 2021-22**

Projects details	No. of projects
Total projects completed by CMS	60
Under progress CMS projects	35

- **Neuland filed DMF's details for the FY 2021-2022**

USDMFs

Sl. No.	DMF No.	SUBJECT
1.	036341	Tafamidis Meglumine
2.	036451	Aripiprazole Monohydrate (Sterile)
3.	036450	Vilanterol Trifenatate
4.	036946	Linezolid USP (Process-II)
5.	036947	Elagolix Sodium

Europe – 15 Filings for 6 products in different geographies

ANVISA, Brazil – 4 Filings

ROW – 18 Filings for 11 products across geographies

- **Neuland GDS ongoing project details for the FY 2021-22** – 9 Projects ongoing

**Life cycle management of the existing manufacturing processes for APIs resulted in lower production costs, reduced cycle times, and customer retention.** – 3 Projects completed during the year with another 7 on going

- Neuland has filed 8 patent applications in which 7 were in India and 1 in PCT for the FY 2021-2022.

- Neuland has received "IP Facilitator of the year for excellence and Innovation" from ASSOCHAM.

iii. Expenditure on R&D:

	(₹ in lakhs)	
	2021-22	2020-21
Capital	863.00	178.11
Recurring	2,772.30	2,106.58
<b>Total</b>	<b>3,635.30</b>	<b>2,284.69</b>

### C Foreign Exchange Earnings and Outgo

Foreign exchange earned in terms of actual inflows and foreign exchange outgo in terms of actual outflows during the year ended March 31, 2022:

- Foreign exchange earned in terms of actual Inflows ₹ 68,579.85 lakhs.
- Foreign exchange outgo in terms of actual Outflows ₹ 16,127.76 lakhs.

# Annexure-4

## Particulars of Remuneration

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

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

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

Sl. No.	Name of the Directors and Key Managerial Personnel	Ratio of remuneration to median remuneration of employees	% increase/decrease in remuneration over previous year <sup>(1)</sup>
1.	Dr. D. R. Rao <sup>2</sup> (Executive Chairman)	41.74	20.77%
2.	Mr. D. Sucheth Rao <sup>2</sup> (Vice Chairman & CEO)	36.53	21.93%
3.	Mr. D. Saharsh Rao <sup>2</sup> (Vice Chairman & MD)	36.53	21.93%
4.	Mr. Humayun Dhanrajgir (Non-Executive Director)	2.28	14.74%
5.	Mr. P.V. Maiya (Non-Executive Director)	1.71	2.50%
6.	Dr. Christopher M. Cimarusti (Non-Executive Director)	1.57	7.14%
7.	Mrs. Bharati Rao (Non-Executive Director)	2.23	11.46%
8.	Dr. Nirmala Murthy (Non-Executive Director)	2.15	9.57%
9.	Mr. Homi Rustam Khusrokhhan (Non-Executive Director)	2.15	11.96%
10.	Dr. Will Mitchell <sup>3</sup> (Non-Executive Director)	NA	NA
11.	Mr. Deepak Gupta <sup>4</sup> (Chief Financial Officer)	NA	NA
12.	Ms. Sarada Bhamidipati <sup>5</sup> (Company Secretary & Compliance Officer)	NA	18.21%

<sup>1</sup> Changes in the remuneration paid to non-Executive Directors, reflect increase/decrease in the sitting fees paid based on the number of meetings compared to previous year and also increase in provision for commission.

<sup>2</sup> The provision for commission (profit-based) for the FY 2021-22 has not been considered to make it comparable.

<sup>3</sup> Ceased to be director due to demise on December 6, 2021, hence not comparable.

<sup>4</sup> Remuneration in FY2021 was paid for part of the year, hence not comparable.

<sup>5</sup> includes one-time bonus payment.

- ii. the median remuneration of the employees has increased by 9.28%
- iii. the number of permanent employees on the rolls of Company as on March 31, 2022 was 1,521.
- iv. Average percentile increases already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

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

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

# Annexure-5

## FORM NO. AOC -2

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

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

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

There were no contracts or arrangements or transactions entered into during the financial year ended March 31, 2022, which were not at arm's length basis.

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

Name of the Related party and nature of relationship	Duration of contract	Salient terms	Date of approval by Board, if any	Amount paid (₹ in lakhs)	Amount paid as advances, if any
Dr. Christopher M Cimarusti Non-Executive Non-Independent Director	5 years from May 20, 2021- Ongoing	Refer Note 1	May 11, 2021	Nil	-
Mrs. Vijaya Rao Relative of Key Managerial Personnel	5 years from July 1, 2019-Ongoing	Refer Note 2	16 May 2019	79.20	-
Mr. Davuluri Sucheth Rao, Vice Chairman & Chief Executive Officer	5 years Refer Note 3	Refer Note 3	11 Feb 2020	125.34	-
Mr. Davuluri Saharsh Rao Vice Chairman & Managing Director	5 years Refer Note 3	Refer Note 3	11 Feb 2020	125.34	-

**Note 1:** The members had, at the Annual General Meeting held on July 7, 2021, approved a consultancy fee of USD 2,500 per day (net of taxes) for each day spent at the Company's facilities to Dr. Christopher M Cimarusti.

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

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

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

For and on behalf of the Board

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

# Report on Corporate Governance

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

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

Your Company's Corporate Governance standards demonstrate inalienable rights vested with various stakeholders and strong commitment to values, ethics and business conduct. It always strives and upholds to manufacture high quality products, provide reliable services to customers through ethical practices, integrity in operations and financial management, and to generate consistent returns to members on a sustainable and long-term basis and ensure accuracy and transparency in financial reporting. In being one of the oldest players in the regulated markets for APIs, your Company has established a credible track record with various agencies such as the USFDA, PMDA, etc., as reliable manufacturer of active ingredients. In order to do

so, your Company has provided transparency par excellence to these agencies and our customers to whom we supply our products so that we have their trust and commitment. We will strive to create the same kind of transparency in all our stakeholder relationships.

### Board of Directors

As at March 31, 2022, in accordance with the Corporate Governance norms, the Company's Board of Directors headed by its Executive Chairman, Dr. Davuluri Rama Mohan Rao comprised of nine directors, out of which five are non-Executive Independent Directors including two woman directors. The directors of the Company do not serve as Independent Director in more than seven Listed Companies or in case he/she is serving as a whole-time director in any listed Company, does not hold such position in more than three listed Companies, in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The table below provides the information of the Board of Directors required under Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as at March 31, 2022:

Name of the Directors	Category	No. of directorships held in other companies <sup>3</sup>	Names of the Listed companies holding directorship and category of such directorship held	Number of committee membership held in other companies <sup>2</sup>	Among the committee memberships held in other companies, number of chairmanships held	No. of Board Meetings attended	Attendance at the last AGM
Dr. Davuluri Rama Mohan Rao <sup>1</sup> DIN : 00107737	Non-Independent, Executive, Promoter	1	1. Neuland Laboratories Limited (Executive Director)	-	-	5	Yes
Mr. Davuluri Sucheth Rao <sup>1</sup> DIN : 00108880		1	1. Neuland Laboratories Limited (Executive Director)	-	-	5	Yes
Mr. Davuluri Saharsh Rao <sup>1</sup> DIN : 02753145		1	1. Neuland Laboratories Limited (Executive Director)	-	-	5	Yes
Dr. Christopher M. Cimarusti DIN : 02872948	Non-Independent, Non-Executive	-	1. Neuland Laboratories Limited (Non-Executive Non-Independent Director)	-	-	5	Yes
Mr. Humayun Dhanrajgir DIN: 00004006	Independent, Non-Executive	5	1. Neuland Laboratories Limited (Non-Executive Independent Director)	-	-	5	Yes
Mr. Parampally Vasudeva Maiya DIN: 00195847		2	1. Neuland Laboratories Limited (Non-Executive Independent Director)	1	1	4	Yes
Mrs. Bharati Rao DIN: 01892516		5	1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Suprajit Engineering Limited (Non-Executive Independent Director)	4	1	5	Yes



Name of the Directors	Category	No. of directorships held in other companies <sup>3</sup>	Names of the Listed companies holding directorship and category of such directorship held	Number of committee membership held in other companies <sup>2</sup>	Among the committee memberships held in other companies, number of chairmanships held	No. of Board Meetings attended	Attendance at the last AGM
Dr. Nirmala Murthy DIN: 00734866		-	1. Neuland Laboratories Limited (Non-Executive Independent Director)	-	-	5	Yes
Mr. Homi Rustam Khusrokhani DIN:00005085	Independent, Non-Executive	3	1. Neuland Laboratories Limited (Non-Executive Independent Director) 2. Strides Pharma Science Limited (Non-Executive Independent Director)	2	1	5	Yes
Dr. William Gordon Mitchell <sup>4</sup>		-	1. Neuland Laboratories Limited (Non-Executive Independent Director)	-	-	3	Yes

<sup>1</sup> Dr. Davuluri Rama Mohan Rao, Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao are related to each other

<sup>2</sup> Only Membership/Chairmanship in Audit and Stakeholders Relationship Committee are considered

<sup>3</sup> Includes directorship in Private Limited companies; excludes directorship in Foreign Companies

<sup>4</sup> Ceased to be director due to demise on December 6, 2021

### Selection criteria of Board Members

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

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

### Independent Directors

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

In the opinion of the Board, all the Independent Directors fulfil the conditions specified in the Companies Act, 2013, including amendments thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure

Requirements) Regulations, 2015, as amended from time to time, and are independent of the management.

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

### Familiarization Program of Independent Directors

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

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

The Company has a familiarisation programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business models of the

Company etc., and the same is available on the website of the Company [www.neulandlabs.com](http://www.neulandlabs.com).

### Codes/Policies

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

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

### Board Meetings held during the financial year ended March 31, 2022

A calendar of meetings is prepared and circulated in advance to the directors. During the year, the Board met five times on

May 11, 2021, August 3, 2021, October 18, 2021, October 29, 2021 and February 1, 2022. The maximum gap between any two Board Meetings was less than one hundred and twenty days. All material information was circulated to the directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

### Meeting of Independent Directors

During the year under review, a separate meeting of the Independent Directors of the Company was held on January 31, 2022, without the attendance of non-Independent Directors and members of the management.

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

### Non-Executive Directors' compensation and disclosures

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

### Board Skills/Expertise/Competencies

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

### Board Competency Matrix

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

The current composition of your Company's Board includes directors with core industry experience and has the key skills and experience as set out above. There are further disclosures in the directors' biographies on pages 28 to 30 which outline the extensive leadership, governance, strategy and financial experience of the members of the Board, which are considered appropriate for the Company's circumstances.

## 2. Committees of the Board

### a. Audit Committee

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

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- b. Recommendation for appointment, remuneration and terms of appointment of auditors of the listed Company;
- c. Approval of payment to statutory auditors for any other services rendered by Statutory auditors;
- d. Reviewing with management, the annual financial statements and auditor's report thereon before submission to the Board for approval, focusing primarily on:
  - i. matters required to be included in the Directors Responsibility Statement to be included in the Directors Report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
  - ii. changes, if any, in accounting policies and practices and reasons for the same;
  - iii. major accounting entries involving estimates based on the exercise of judgement by management;
  - iv. significant adjustments made in the financial statements arising out of audit findings;
  - v. compliance with listing and other legal requirements concerning financial statements;
  - vi. disclosure of any related party transactions; and
  - vii. Modified opinion(s) in draft audit report.
- e. Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
- f. Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purpose other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- g. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- h. Approval or any subsequent modification of transactions of the Company with related parties;
- i. Scrutiny of inter-corporate loans and investments;
- j. Valuation of undertakings or assets of the Company, wherever it is necessary;
- k. Evaluation of internal financial controls and risk management systems;
- l. Reviewing with the management, performance of statutory and internal auditors, the adequacy and compliance of internal control systems;
- m. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- n. Discussion with internal auditors any significant findings and follow up thereon;
- o. Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- p. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- q. To look into the reasons for substantial defaults in the payment to the depositors, debenture

- holders, members (in case of non-payment of declared dividends) and creditors;
- r. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc., of the candidate;
  - s. Authority to investigate into any matter in relation to the items specified in sub-section (4) of Section 177 of the Companies Act 2013 or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the Company;
  - t. Appointment of registered valuers;
  - u. Reviewing the reports/certificates placed before it, as mandated by the statutory authorities or as required under policies framed by the Company from time to time;
  - v. Ascertaining and ensuring that the Company has an adequate and functional vigil mechanism and for ensuring that the interest of a person, who uses such a mechanism, are not prejudicially affected on account of such use, as and when applicable and reviewing the functioning of whistle blower mechanism;
  - w. Review compliance with provisions of SEBI (Prohibition of Insider Trading Regulations, 2015, and verify that the internal controls systems for ensuring compliance with these regulations are adequate and effective; and
  - x. Any other matters/authorities/responsibilities/powers assigned as per Companies Act 2013 and Rules made thereunder, as amended from time to time.

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

The Audit Committee presently comprises of four Independent Directors and one Whole Time Director and

the Chairman of the Audit Committee is an Independent Director. All members of the Audit Committee are financially literate and have related financial management expertise by virtue of their experience and background.

During the year, the Committee met four times on May 11, 2021, August 3, 2021, October 29, 2021 and February 1, 2022:

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

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

#### b. Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee consists of three non-Executive Independent Directors. During the year, the Committee met twice on May 10, 2021 and August 27, 2021:

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

### Performance Evaluation

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

### Remuneration Policy

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

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

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

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

### Directors' Remuneration

The details of remuneration paid or payable to the directors for the financial year ended March 31, 2022 are as under:

Name of Director	Salary	Perquisites and other benefits <sup>1</sup>	Commission	Sitting fee	(Amount in ₹ lakhs)
					Total
Dr. Davuluri Rama Mohan Rao <sup>2</sup>	176.03	23.97	130.00	N.A	330.00
Mr. Davuluri Sucheth Rao <sup>2</sup>	154.08	20.92	125.00	N.A	300.00
Mr. Davuluri Saharsh Rao <sup>2</sup>	154.08	20.92	125.00	N.A	300.00
Mr. Humayun Dhanrajgir	N.A.	N.A.	5.00	5.90	10.90
Mr. Parampally Vasudeva Maiya	N.A.	N.A.	5.00	3.20	8.20
Mrs. Bharati Rao	N.A.	N.A.	5.00	5.70	10.70
Dr. Nirmala Murthy	N.A.	N.A.	5.00	5.30	10.30
Dr. William G. Mitchell <sup>3</sup>	N.A.	N.A.	5.00	1.50	6.50
Dr. Christopher M. Cimarusti	N.A.	N.A.	5.00	2.50	7.50
Mr. Homi Rustom Khusrokhani	N.A.	N.A.	5.00	5.30	10.30

<sup>1</sup> Perquisites and other benefits include Provident Fund

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

<sup>3</sup> Ceased to be director due to demise on December 6, 2021

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

During the financial year 2021-22, the non-Executive Directors were paid Sitting fee of ₹50,000 for attending each meeting of the Board and Audit Committee and ₹20,000 for each meeting of the Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Risk Management Committee, Finance Committee and Stakeholder Relationship Committee. The Independent Directors were paid a fee of ₹ 20,000 each, for the separate meeting of the Independent Directors.

#### Shareholding of Directors as on March 31, 2022

Name	No. of shares
Dr. Davuluri Rama Mohan Rao	32,03,474
Mr. Davuluri Sucheth Rao	3,37,542
Mr. Davuluri Saharsh Rao	2,53,587
Mr. Humayun Dhanrajgir	3,286
Mr. Parampally Vasudeva Maiya	2,000

#### c. Risk Management Committee

The Company has constituted Risk Management Committee with effect from June 5, 2021 comprising of four directors out of which two are non-Executive Independent Directors and two Executive Directors. The Chief Financial Officer is a permanent invitee to the meeting.

The terms of reference of the Committee covers (a) formulating of a detailed risk management policy which includes, a framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee; Measures for risk mitigation; Systems and processes for internal control of identified risks; a Business continuity plan, which is integrated with the Company's ERM (Enterprise Risk Management) Program. (b) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company. (c) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems. (d) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity. (e) To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken. (f) To review the appointment, removal and terms of remuneration of the Chief Risk Officer, if any.

During the financial year 2021-22, the Committee met thrice on August 2, 2021, October 11, 2021 and March 2, 2022:

#### Composition and Attendance

Name of Director	Meetings held during the Year	Meetings attended
Mr. Homi Rustam Khusrokhan, Chairperson	3	3
Mrs. Bharati Rao, Member	3	3
Mr. Davuluri Sucheth Rao, Member	3	3
Mr. Davuluri Saharsh Rao, Member	3	3

The maximum gap between any two meetings was less than one hundred and eighty days.

#### d. Stakeholders Relationship Committee

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

During the financial year 2021-22, the Committee met twice on May 10, 2021 and March 2, 2022:

#### Composition and Attendance

Name of Director	Meetings held during the Year	Meetings attended
Mr. Parampally Vasudeva Maiya, Chairman	2	2
Dr. Davuluri Rama Mohan Rao, Member <sup>1</sup>	2	1
Mr. Davuluri Sucheth Rao, Member	2	2
Mr. Davuluri Saharsh Rao <sup>2</sup>	2	1

<sup>1</sup> Ceased to be a member with effect from May 11, 2021

<sup>2</sup> Appointed with effect from May 11, 2021

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

During the financial year 2021-22, the Company has received four complaints from a member/stock exchanges/ SEBI for unclaimed dividend and shares and non-receipt of share certificates lodged for transfer during prior period. The complaints received were duly attended to and the Company has furnished necessary information to the member/complainant. There were no complaints pending as on March 31, 2022. All the complaints have been disposed of to the satisfaction of the complainants.

#### e. Corporate Social Responsibility Committee

The Committee oversees, inter-alia, corporate social responsibility and other related matters as may be referred by the Board of Directors and discharges the roles as prescribed under Section 135 of the Companies Act, 2013 which includes formulating and recommending to the Board, a Corporate Social Responsibility (CSR) Policy indicating the activities to be undertaken by the Company in conformity with Schedule VII of the Companies Act, 2013 and the Rules thereof; recommending the amount of expenditure to be incurred; monitoring the CSR Policy of the Company; recommending to the Board an annual CSR action plan delineating the CSR projects or programs to be undertaken during the financial year; and appoint an independent agency/firm to carry out impact assessment study, if any.

During the year under review, the Committee met thrice on May 10, 2021, September 29, 2021, and December 10, 2021:

### 3. General Body Meetings

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

Year	Date	Day	Time	Venue
2019	July 5, 2019	Friday	10.00 a.m.	Grand Ball Room, Taj Krishna, Hyderabad
2020	July 10, 2020	Friday	10.00 a.m.	Through Video Conferencing ("VC")/Other Audio-Visual Means ("OAVM")
2021	July 7, 2021	Wednesday	10:30 a.m.	Through Video Conferencing ("VC")/Other Audio-Visual Means ("OAVM")

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

Date of AGM	July 5, 2019	July 10, 2020	July 7, 2021
Item	a. To appoint a director in place of Dr. Christopher M. Cimarusti (DIN: 02872948) who retires by rotation and, being eligible, seeks re-appointment.	a. Re-appointment of Dr. Nirmala Murthy (DIN : 00734866) as an Independent Director b. Re-appointment of Mr. Davuluri Saharsh Rao (DIN: 02753145) as Whole Time Director designated as Joint Managing Director	a. To appoint a director in place of Dr. Christopher M. Cimarusti (DIN: 02872948) who retires by rotation and, being eligible, offers himself for re-appointment. b. Payment of Professional fees to Dr. Christopher M. Cimarusti, non-Executive Director

No Extraordinary General Meeting of the members was held during the financial year 2021-22.

No resolutions were required to be passed by the members of the Company through Postal Ballot during the financial year 2021-22.

#### Composition and Attendance

Name of Director	Meetings held during the Year	Meetings attended
Mr. Humayun Dhanrajgir, Chairman	3	3
Dr. Davuluri Rama Mohan Rao, Member	3	3
Mr. Davuluri Sucheth Rao, Member	3	3
Mr. Davuluri Saharsh Rao, Member	3	2
Dr. Nirmala Murthy, Member	3	3

#### e. Finance Committee

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

Dr. Davuluri Rama Mohan Rao, Mr. Parampally Vasudeva Maiya, Mr. Humayun Dhanrajgir, Mr. Davuluri Sucheth Rao and Mr. Davuluri Saharsh Rao are the members of the Committee. During the year under review, the Committee met once on August 27, 2021, and except Mr. Davuluri Saharsh Rao, all the members attended the meeting.

#### Compliance officer

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

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

<b>Name of the Director</b>	<b>Mr. Davuluri Saharsh Rao</b>
Date of first appointment	01.06.2009
Date of Birth	08.07.1979
Expertise in specific functional areas	Information Technology and Marketing
Educational Qualifications	B.E Masters in MIS from Weatherhead School of Management, Cleaveland, OH. MBA from University of North Carolina, USA
Chairman/Member of the Committee of the Board of Directors of the Company	Corporate Social Responsibility Committee- Member Stakeholders Relationship Committee- Member
List of directorships, Committee Chairmanship and membership held in other companies as on May 10, 2022	NIL
Relationships between directors inter-se	Son of Dr. Davuluri Rama Mohan Rao, Executive Chairman and Brother of Mr. Davuluri Sucheth Rao, Vice Chairman & CEO
Number of shares held in the Company as on May 10, 2022	2,53,587

**2. Disclosures****a. Related Party Transactions**

During the year under review, the Company had no materially significant related party transaction, which is considered to have potential conflict with the interests of the Company at large. All related party transactions are negotiated on an arms-length basis and are intended to further the Company's interests. Attention of members is drawn to the disclosure of transactions with related parties set out in Note No. 39 of Standalone Financial Statements, forming part of the Annual Report. The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. The said policy is also available on the Company's website [www.neulandlabs.com](http://www.neulandlabs.com).

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

**c. Whistle Blower Policy**

Your Company has a Whistle Blower Policy, which is available on the Company's website at [www.neulandlabs.com](http://www.neulandlabs.com). The policy ensures that strict confidentiality is maintained whilst dealing with concerns and that no discrimination will be meted out to any person for a genuinely raised concern. Pursuant thereto, anyone can directly

approach the Chairman of the Audit Committee or through Company Secretary to report any suspected or confirmed incident of fraud / misconduct. It is affirmed that no personnel have been denied access to the Audit Committee.

**d. Reconciliation of share capital audit**

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

On the online portal of both the stock exchanges (NSE and BSE) on a quarterly basis reconciliation of share capital audit report has been filed within the prescribed time limit and the same is also placed before the Board.

**e. Code of Conduct**

The Company has a Code of Conduct for Directors and Senior Management of the Company and has received confirmations from the directors and senior management regarding compliance with the Code for the year ended March 31, 2022. A certificate from the Vice Chairman & Chief Executive Officer to this effect is attached to this Report.



- f. **Allotment of shares**  
During the year under review, the Company has not made any allotment of shares.
- g. **Accounting treatment**  
The Financial Statements of the Company have been prepared in accordance with the Indian Accounting Standard (Ind AS), notified under the Companies (Indian Accounting Standard) Rules, 2015 and the relevant provisions of Companies Act, 2013. The Financial statements have been prepared on accrual basis under the historical cost convention.
- h. **Non-Executive Directors' compensation and disclosures**  
All fees/compensation paid to the non-Executive Directors (including Independent Directors) are recommended by the Nomination and Remuneration Committee and fixed by the Board and approved by the members in the General Meeting, if required, and the remuneration paid/payable are within the limits prescribed under the Companies Act, 2013.  
  
Except for the above, the non-Executive Director and the Independent Directors of the Company had no pecuniary relationship or transactions with the Company.
- i. **Code of Conduct for Prevention of Insider Trading**  
Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, your Company has in place a Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their Immediate Relatives. The disclosures received pursuant to this code and the regulations are disseminated to the Stock Exchanges within the prescribed time limit and a report on compliance are being duly placed before the respective Audit Committee and Board Meetings.
- j. **Policy on Prohibition of Sexual Harassment of Women at Workplace**  
Your Company has a robust mechanism in place to redress complaints, if any, reported under the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has complied with provisions relating to the constitution of Internal Committee. The Internal Committee is composed of internal members and an external member who has extensive experience in the field. No complaints were reported in the Company during the calendar year 2021 and as on date of this report.
- k. **Compliance on Corporate Governance**  
Your Company submits compliance report on Corporate Governance to both the stock exchanges (NSE and BSE) within the stipulated timelines. These reports are also placed before the Board in the respective meetings. Pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a certificate from a Practicing Company Secretary confirming that the Company is complying with the conditions of Corporate Governance is provided elsewhere in the Annual Report.
- l. In accordance with the requirements of Regulation 17(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board reviews the risk management, including risk assessment and mitigation plans of the Company.
- m. The Vice Chairman & Chief Executive Officer and Chief Financial Officer have submitted a Certificate to the Board in the prescribed format for the financial year ended March 31, 2022, pursuant to Regulation 17(8) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended. The Certificate has been reviewed by the Audit Committee and taken on record by the Board.
- n. None of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority as on the date of the report. A certificate from a Company Secretary in practice is enclosed in this regard.
- o. **Secretarial Standards**  
Your Company's practices and procedures meet the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.
- p. **E-voting**  
Pursuant to the requirements of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company

is providing e-voting facility to its members, in respect of all shareholders' resolutions, to be passed at the General Meetings.

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

Some of the API products manufactured by the Company may have direct or indirect foreign currency fluctuations/commodity price risks. The Company does not undertake any hedging activities for the same. However, the Company reviews its product mix with a focus on niche and high margin products to mitigate the commodity price risk. The Company is a net foreign exchange earner and thus faces foreign currency fluctuation risk. The Company tries to minimise the risk through natural hedge via foreign currency liabilities to the extent possible. For the balance, looking at the trend, as per the policy, the Company may hedge up to 75% of the net foreign exposure (book exposure and forecasted exposure) on a 6 months rolling basis. The Company reviews its Foreign Currency Risk and evaluates the same on a periodic basis.

r. **Management Discussion and Analysis Report forms part of the Director's Report.**

s. **Statutory Auditor's Fees/Compensation for FY 2021-22**

The total fees paid by the Company to the Statutory Auditors for FY 2021-22 is set out in Note No. 28(i) of the Standalone Financial Statements, forming part of the Annual Report.

t. **Non-Mandatory Requirements**

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

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

### 3. Subsidiaries

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

### 4. Means of Communication

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

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

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

## 5. General Shareholders Information

Annual General Meeting

**Date, Time and Venue:** Thirty Eighth Annual General Meeting of the Members of the Company will be held on August 2, 2022 at 11.00 A.M. IST through Video Conferencing (“VC”)/Other Audio Visual Means (“OAVM”)

**Financial Year:** April to March

### Financial Calendar

Adoption of Quarterly results for the quarter ending	Tentative Dates
June 30, 2022	August, 2022
September 30, 2022	November, 2022
December 31, 2022	February, 2023
March 31, 2023	May, 2023

**Record date:** July 15, 2022

### Listing on Stock Exchanges

The Company’s Shares are listed on the Stock Exchanges mentioned below and the Company has paid the Listing Fees to them for the financial year 2022-23.

BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.	National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 001.
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### Stock Code

524558 on BSE and NEULANLAB on NSE

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

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

### Employee Stock Options

There are no outstanding stock options in the Company.

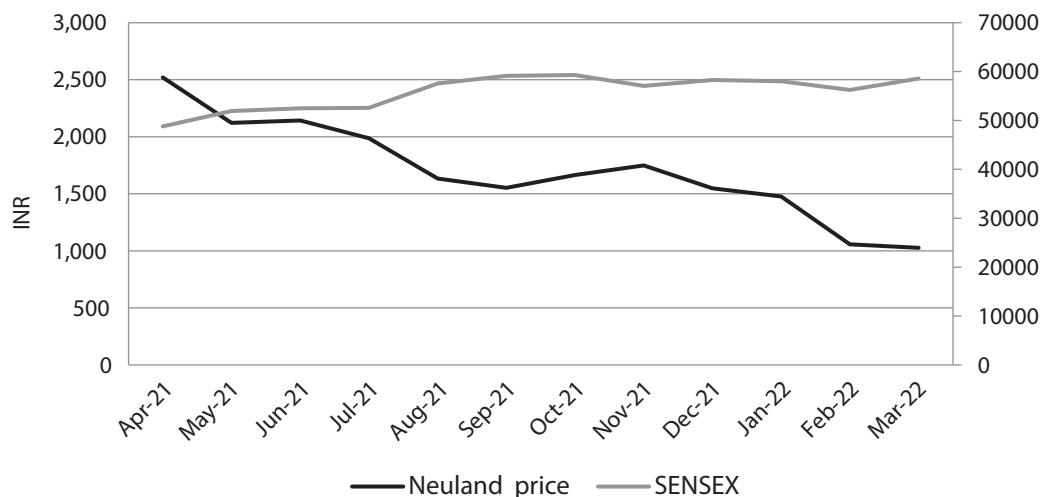
### International Securities Identification Number (ISIN) in NSDL and CDSL: INE794AO1010

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

### Share price movements 2021-22

	Month	BSE Limited (₹)			National Stock Exchange of India Limited (₹)			
		High	Low	Closing (as on the last trading day of month)	High	Low	Closing (as on the last trading day of month)	
2021	April	2,840.00	2,086.55	2,521.00	2,844.40	2,085.00	2,521.20	
	May	2,764.95	1,997.50	2,121.20	2,730.00	1,992.30	2,120.80	
	June	2,185.00	1,933.45	2,142.20	2,179.00	1,915.10	2,161.45	
	July	2,275.00	1,920.55	1,986.20	2,273.15	1,929.00	1,988.20	
	August	2,039.00	1,435.00	1,632.95	2,045.00	1,447.05	1,632.50	
	September	1,835.00	1,481.00	1,551.60	1,847.90	1,470.00	1,555.75	
	October	1,864.40	1,482.05	1,664.85	1,874.00	1,500.00	1,669.90	
	November	1,775.00	1,605.60	1,748.80	1,777.00	1,608.00	1,746.75	
	December	1,875.00	1,524.60	1,548.25	1,847.35	1,468.90	1,545.05	
	2022	January	1,740.10	1,374.85	1,475.85	1,745.00	1,258.90	1,477.35
		February	1,498.50	1,024.10	1,057.10	1,510.00	1,026.00	1,062.75
		March	1,252.75	1,000.00	1,026.60	1,255.00	994.55	1,029.15

### Neuland share price and Sensex movement



#### Registrar and Transfer Agents

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

#### Details of Unclaimed Securities Suspense Account

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

Particulars	No. of Shareholders	No. of Shares
Aggregate no. of shareholders and the outstanding shares transferred to the suspense account	9	1,000
No. of shareholders who approached the Company for transfer of shares from suspense account during the year	0	0
No. of shareholders to whom shares were transferred from unclaimed shares suspense account during the year	0	0
Aggregate no. of shareholders and the outstanding shares in the suspense account lying as on March 31, 2022	9	1000

The voting rights on the shares outstanding in the suspense account as on March 31, 2022, shall remain frozen till the rightful owner of such shares claims the shares.

#### Details of Unclaimed Dividend Amount

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

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

<b>Financial year</b>	<b>Amount of unclaimed dividend Transferred (in ₹)</b>	<b>Number of shares transferred</b>
2013-2014	2,63,987.00	16,737

Further, pursuant to the provisions of Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 the Company has also uploaded the aforementioned details with IEPF Authority and also on the website of the Company [www.neulandlabs.com](http://www.neulandlabs.com). The members who have a claim on above dividends and shares may claim the same from IEPF Authority by submitting an online application in web Form No. IEPF-5 available on the website [www.iepf.gov.in](http://www.iepf.gov.in) and sending a physical copy of the same, duly signed to the Company, along with requisite documents enumerated in the Form No. IEPF-5. No claims shall lie against the Company in respect of the dividend/shares so transferred.

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

<b>Financial year</b>	<b>Date of declaration</b>	<b>Due date for transfer to IEPF</b>
2014-15	August 14, 2015	September 12, 2022
2015-16	August 12, 2016	September 10, 2023
2016-17	No dividend declared	Not Applicable
2017-18	No dividend declared	Not Applicable
2018-19	July 5, 2019	August 4, 2026
2019-20	February 11, 2020	March 3, 2027
2020-21 (interim dividend)	November 3, 2020	December 8, 2027
2020-21 (final dividend)	July 7, 2021	August 10, 2028

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

#### **Dematerialization mandatory for effecting share transfers**

Shares of the Company can be held and traded in electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialisation form. The Company's shares are available for trading in the depository system, of both the National Securities Depository Limited and the Central Depository Services (India) Limited. As on March 31, 2022, the total shares in demat form were 1,27,32,348 in both depositories accounting for 99.24% of the share capital of the Company.

#### **Mandatory KYC**

Securities and Exchange Board of India (SEBI) vide its Circular dated November 3, 2021 and December 15, 2021, has mandated the submission of PAN, KYC details and nomination by holders of physical securities by March 31, 2023, and linking PAN with Aadhaar.

Members are requested to submit their PAN, KYC and nomination details to the Company's registrars KFin Technologies Limited. The format of Mandatory KYC documents is available on the Company's website under Shareholder Information [www.neulandlabs.com](http://www.neulandlabs.com).

Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participant(s). In case a holder of physical securities fails to furnish these details or link their PAN with Aadhaar before the due date, our registrars are obligated to freeze such folios. The securities in the frozen folios shall be eligible to receive payments (including dividend) and lodge grievances only after furnishing the complete documents. If the securities continue to remain frozen as on December 31, 2025, the registrar/the Company shall refer such securities to the administering authority under the Benami Transactions (Prohibitions) Act, 1988, and/or the Prevention of Money Laundering Act, 2002.

#### **Share Transfer System**

Securities and Exchange Board of India has vide proviso to Regulation 40(1) of Securities and Exchange Board of India (Listing Obligations and Disclosure

Requirements) Regulations, 2015, mandated that requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository, except in case of transmission or transposition of securities. In view of the same, the Company shall not process any requests for transfer of shares in physical mode. Members who desire to demat their shares can get in touch with

any Depository Participant having registration with Securities and Exchange Board of India to open a demat account and follow the procedure for share transfers.

#### Rematerialisation of shares

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

#### Distribution of Shareholding as on March 31, 2022

No. of shareholders	No. of Shareholders	% of Shareholders	Total no. of Shares	% of Shareholding
1 - 5000	30,943	95.92	16,50,219	12.86
5001 - 10000	643	2.00	4,73,977	3.69
10001 – 20000	345	1.07	4,98,661	3.89
20001 – 30000	124	0.38	3,12,886	2.44
30001 – 40000	52	0.16	1,88,087	1.47
40001 – 50000	26	0.08	1,19,322	0.93
50001 – 100000	60	0.19	4,24,007	3.30
100001 & Above	64	0.20	91,62,730	71.42
<b>Total</b>	<b>32,257</b>	<b>95.92</b>	<b>1,28,29,889</b>	<b>100.00</b>

#### Shareholding Pattern as on March 31, 2022

Category of Shareholder	No. of Shareholders	No. of Shares held	% of Shareholding
Promoters and Promoter Group	11	46,47,032	36.22
Banks/Financial Institutions Others	1	500	0.00
Foreign Corporate Bodies and Foreign Portfolio Investors- Corporate	32	22,05,632	17.19
Mutual Funds	1	1,01,685	0.79
Alternate Investment Funds	7	7,16,619	5.59
Bodies Corporate	326	5,83,555	4.55
Residential Individuals, NBFC, HUFs, Clearing Members, Trusts and others	31,091	42,57,726	33.19
NRIs/OCBs and Foreign Nationals	787	2,73,035	2.13
IEPF	1	44,105	0.34
<b>Total</b>	<b>32,257</b>	<b>1,28,29,889</b>	<b>100.00</b>

#### Plant Locations

Unit 1	Unit 2	Unit 3	R&D Centre
Survey No.347, 473, 474, 490/2, Veerabhadraswamy Temple Road, Bonthapally Village, Jinnaram, Sangareddy District, 502313 Telangana	Plot No. 92-94, 257-259 IDA Pashamylaram Patancheru Mandal Sangareddy District, 502319, Telangana	Survey No 10, 10F/A/1, 10F/A/2, 10F/A/3 situated at Gaddapotharam Village, Jinnaram, Sangareddy District, 502307, Telangana	Survey No.488G and 489A, Veerabhadra Swamy temple Road, Bonthapally Village, Jinnaram, Sangareddy District, 502313, Telangana

### Service of documents through Electronic Mode

The Notice of 38th Annual General Meeting, along with the Annual Report of FY 2021-22, is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company or with the Depositories. Members who wish to update or register their e-mail addresses with the Company or with the Depositories may inform their respective Depository Participants in case of shares held in electronic form and to the Registrar and Transfer Agent or the Company in case of physical holding of shares at the addresses given below in the Report.

### Remittance of Dividend through Electronic Mode

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

### Bank Details

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

### Permanent Account Number (PAN)

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

- i) Transfer of shares – Transferee and Transferor
- ii) Transmission of shares - Legal heirs' or Nominees'
- iii) Transposition of shares - Joint holders' and
- iv) In case of decease of member - Surviving joint holders'

### Address for Correspondence

- i. Investor Correspondence: For dematerialization/transmission of shares, address updation, KYC updation, payment of dividend on shares and any other query relating to the shares of the Company.

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

- ii. Any query on Annual Report  
Ms. Sarada Bhamidipati  
Company Secretary  
Neuland Laboratories Limited  
11th Floor (5th Level), Phoenix IVY Building,  
Plot No. 573A-III, Road No. 82, Jubilee Hills,  
Hyderabad, 500033, Telangana, India  
Phone : +91 40 6761 1600  
Fax : +91 40 6761 1602  
e-mail : [ir@neulandlabs.com](mailto:ir@neulandlabs.com)
- iii. For investor grievance  
e-mail : [ir@neulandlabs.com](mailto:ir@neulandlabs.com)

# CEO and CFO Certification

[Pursuant to Regulation 17(8) of SEBI (LODR) Regulations, 2015]

We, Davuluri Sucheth Rao, Vice Chairman & Chief Executive Officer and Deepak Gupta, Chief Financial Officer, to the best of our knowledge and belief, certify that:

- a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended March 31, 2022 and that these statements:
  - i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. together present a true and fair view of the Company's affairs and are in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under applicable laws and rules and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept overall responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to be taken to address these deficiencies.
- d. We have indicated, wherever applicable, to the Auditors and the Audit Committee:
  - i. that there are no significant changes in the internal control over financial reporting during the year;
  - ii. that there are no significant changes in the accounting policies during the year; and
  - iii. that there are no instances of significant fraud of which we have become aware of and which involve management or other employees who have significant role in the Company's internal control system over financial reporting.

For **Neuland Laboratories Limited**

**Davuluri Sucheth Rao**

Vice Chairman & Chief Executive Officer

Place: Hyderabad

Date: May 10, 2022

For **Neuland Laboratories Limited**

**Deepak Gupta**

Chief Financial Officer

## Declaration

As provided under Regulation 34 read with Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Board Members and the Senior Management personnel have confirmed compliance with the Code of Conduct for Board of Directors and Senior Management Personnel for the year ended March 31, 2022.

For and on behalf of the Board

Place: Hyderabad

Date: May 10, 2022

**Davuluri Sucheth Rao**

Vice Chairman & Chief Executive Officer



# Certificate on Corporate Governance

(Pursuant to Schedule V(E) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To

The Members of

**Neuland Laboratories Limited**

11th Floor (5th Level), Phoenix IVY Building,

Plot No. 573A-III, Road No. 82, Jubilee Hills,

Hyderabad, 500033, Telangana, India

We have examined the compliance of conditions of Corporate Governance by M/s. Neuland Laboratories Limited ('the Company') for the year ended 31st March, 2022 as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15(2) of the Listing Regulations.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.

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

For **P.S. Rao & Associates**  
Company Secretaries

**P S Rao**

Senior Partner

C.P No.: 3829

UIDN: F010322D000290921

PR: 710/2020

Place: Hyderabad

Date: 10.05.2022

# Practicing Company Secretary Certificate

(Pursuant to Schedule V(C)(10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

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

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Neuland Laboratories Limited bearing CIN: L85195TG1984PLC004393 and having registered office situated at 11th Floor (5th Level), Phoenix IVY Building, Plot No. 573A-III, Road No. 82, Jubilee Hills, Hyderabad, 500033, Telangana, India (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with the Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to us by the Company and the respective Directors, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on March 31, 2022 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority:

S.No	Name of the Director	Designation	DIN
1.	Dr. Davuluri Rama Mohan Rao	Whole Time Director (Executive Chairman)	00107737
2.	Mr. Davuluri Sucheth Rao	Whole time Director (Vice Chairman & CEO)	00108880
3.	Mr. Davuluri Saharsh Rao	Whole time Director (Vice Chairman & Managing Director)	02753145
4.	Dr. Christopher M. Cimarusti	Non-Executive Director (Non-Independent Director)	02872948
5.	Mr. Humayun Dhanrajgir	Non-Executive Director (Independent Director)	00004006
6.	Mr. Parampally Vasudeva Maiya	Non-Executive Director (Independent Director)	00195847
7.	Mrs. Bharati Rao	Non-Executive Director (Independent Director)	01892516
8.	Dr. Nirmala Srinivasa Murthy	Non-Executive Director (Independent Director)	00734866
9.	Mr. Homi Rustam Khusrokhan	Non-Executive Director (Independent Director)	00005085

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these, based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **P.S. Rao & Associates**  
Company Secretaries

Place: Hyderabad  
Date: 10.05.2022

**P S Rao**  
Senior Partner  
C.P No.: 3829  
UIDN: F010322D000291108  
PR: 710/2020

# Secretarial Audit Report

## Form No. MR-3

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

(FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022)

To

The Members

**Neuland Laboratories Limited**

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

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Neuland Laboratories Limited., (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 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:

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

- i. The Companies Act, 2013 (the Act) and the rules made thereunder.
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment.
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (Not applicable to the Company during the audit period)
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. (Not applicable to the Company during the audit period)
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2018; (Not applicable to the Company during the audit period)
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the audit period) and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (Not applicable to the Company during the audit period)
  - (i) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

- vi. Other specifically applicable laws to the Company:
- (a) Drugs and Cosmetics Act, 1940
  - (b) Narcotic Drugs and Psychotropic Substances Act, 1985
  - (c) The Medicinal & Toilet Preparations (Excise Duties) Act, 1955
  - (d) Drugs Price Control Order, 2013 and notifications made there under
  - (e) Indian Boilers Act, 1923
  - (f) The Payment of Wages Act, 1936
  - (g) Employees Provident Funds and Miscellaneous Provisions Act, 1952
  - (h) The Payment of Bonus Act, 1965
  - (i) The water (Prevention and control of pollution) Act, 1974 and rules made thereunder
  - (j) The Air (Prevention and control of pollution) Act, 1981 and rules made thereunder
  - (k) The Environment Protection Act, 1986 and rules made thereunder
  - (l) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

We have also examined compliance with the applicable clauses of the Secretarial Standards, as amended from time to time, issued by The Institute of Company Secretaries of India.

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

**We further report that:**

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were changes in the composition of the Board of Directors during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- All the decisions at the Board Meetings and Committee Meetings have been carried out unanimously as recorded in the Minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

**We further report that:**

- there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
- there were no such specific events/ actions in pursuance of the above referred laws, rules, regulations, etc., having a major bearing on the company's affairs

For **P S Rao & Associates**  
Company Secretaries

**P.S. Rao**

Senior Partner

FCS No: 10322; C.P.No.3829

UDIN: F010322D000291053

Place: Hyderabad

Date: 10.05.2022

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

# Annexure-A

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

Our report of even date is to be read along with this letter.

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

For **P S Rao & Associates**  
Company Secretaries

**P.S. Rao**

Senior Partner

FCS No: 10322; C.P.No.3829

UDIN: F010322D000291053

Place: Hyderabad

Date: 10.05.2022

# Annexure-1

## NOMINATION AND REMUNERATION POLICY

The Remuneration/Compensation Committee of Neuland Laboratories Limited ("the Company"), consisting of three independent directors, was rechristened as Nomination and Remuneration Committee by the Board at its meeting held on February 5, 2014.

### 1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy are in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto ("The Act") and Clause 49 under the Listing Agreement.

The key objectives of the Committee are:

- 1.1 To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- 1.2 To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 1.3 To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 1.4 To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- 1.5 To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 1.6 To assist the Board in fulfilling its responsibilities.

### 2. DEFINITIONS

- 2.1 Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 2.2 Board means Board of Directors of the Company.
- 2.3 Directors mean Directors of the Company.
- 2.4 Key Managerial Personnel means Chief Executive Officer or the Managing Director or the Manager; Whole-time director; Chief Financial Officer; Company Secretary; and such other officer as may be prescribed.

- 2.5 Senior Management means Senior Management means personnel of the Company who are members of its core management team excluding the Board of Directors and including the Chief Financial Officer and the Company Secretary.

### 3. ROLE OF COMMITTEE

- 3.1 The role of the Committee inter alia will be the following:
  - a. to formulate a criteria for determining qualifications, positive attributes and independence of a Director.
  - b. to recommend to the Board the appointment and removal of Senior Management
  - c. to carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.
  - d. to recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.
  - e. to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
  - f. ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
  - g. to devise a policy on Board diversity;
  - h. to develop a succession plan for the Board and to regularly review the plan;

Policy for appointment and removal of Director, KMP and Senior Management

#### 3.2 Appointment criteria and qualifications

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b) A person should possess adequate qualification, expertise and experience for the position he / she

is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the concerned position.

- c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

### 3.3 Term/Tenure

- a) Managing Director/Whole-time Director

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

- b) Independent Director

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

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

At the time of appointment of Independent Director it shall be ensured that number of Boards on which such Independent Director serves is as may be prescribed under the Act and/or the Listing Agreement.

### 3.4 Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

### 3.5 Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

### 3.6 Retirement

The Directors, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

### 3.7 Policy relating to the Remuneration for the Managing/Whole-time Director, KMP and Senior Management Personnel

The Remuneration Policy of the Company for managerial personnel is primarily based on the following:

- Performance of the Company, its divisions and units
- Performance and potential of individual managers, and,
- External competitive environment

#### General

- a. The remuneration/compensation/commission, etc., to the Managing/Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval at the time of appointment. The remuneration/compensation /commission etc. of the Managing/Whole Time Director shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

- b. The remuneration and commission to be paid to the Whole-time Directors shall be in accordance with the provisions of the Act.
- c. Increments to the existing remuneration/compensation structure may be recommended by the Committee to the Board which would be within the limits approved by the Shareholders in the case of Whole-time Directors and as per the Policy of the Company in case of others.
- d. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

#### **Remuneration to Managing / Whole-time Director, KMP and Senior Management Personnel**

- a. Fixed pay: The Managing / Whole-time Director, KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.
- b. Minimum Remuneration: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.
- c. Provisions for excess remuneration: If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without appropriate approvals, the Committee shall recommend the due course of action to the Board as and when required.

#### **Remuneration to Non- Executive / Independent Director**

- a. Remuneration / Commission: The remuneration / commission shall be fixed as per the limits and

conditions mentioned in the Articles of Association of the Company and the Act.

- b. Sitting Fees: The Non- Executive / Independent Director may receive Sitting fees for attending meetings of Board or Committee thereof, provided that the amount of such fees shall not exceed the amount as may be prescribed by the Central Government from time to time.
- c. Commission: Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.
- d. Stock Options: An Independent Director shall not be entitled to any stock option of the Company.

#### **4. MEMBERSHIP**

The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent. Minimum two members shall constitute a quorum for the Committee meeting. Membership of the Committee shall be disclosed in the Annual Report. Term of the Committee shall be continued unless terminated by the Board of Directors.

#### **5. CHAIRPERSON**

The Chairperson of the Committee shall be an Independent Director. The Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

#### **6. FREQUENCY OF MEETINGS**

The meeting of the Committee shall be held at such regular intervals as may be required.

#### **7. COMMITTEE MEMBERS' INTERESTS**

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

#### **8. SECRETARY**

The Company Secretary of the Company shall act as Secretary of the Committee.

#### **9. VOTING**

Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.



In the case of equality of votes, the Chairman of the meeting will have a casting vote.

#### **10. NOMINATION COMMITTEE DUTIES**

The duties of the Committee in relation to nomination matters include:

- a. Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- b. Ensuring that on appointment to the Board, independent directors receive a formal letter of appointment in accordance with the guidelines provided under the Act;
- c. Identifying and recommending Directors who are to be put forward for retirement by rotation.
- d. Determining the appropriate size, diversity and composition of the Board;
- e. Setting a formal and transparent procedure for selecting new Directors for www to the Board;
- f. Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- g. Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- h. Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.

- i. Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- j. Recommend any necessary changes to the Board; and
- k. Considering any other matters, as may be requested by the Board.

#### **11. REMUNERATION COMMITTEE DUTIES**

The duties of the Committee in relation to remuneration matters include:

- a. to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- b. to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- c. to delegate any of its powers to one or more of its members or the Secretary of the Committee.
- d. to consider any other matters as may be requested by the Board.
- e. Professional indemnity and liability insurance for Directors and senior management.

#### **12. MINUTES OF COMMITTEE MEETING**

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

# Independent Auditor's Report

To the Members of **Neuland Laboratories Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended March 31, 2022. 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.

Sr. No	Key Audit Matters	How the Key Audit Matter was addressed in our audit
1	<p>Impairment of Goodwill</p> <p>Refer Note 38 to the standalone financial statements.</p> <p>Goodwill is tested for impairment by the Management on an annual basis as required by IND AS 36 - Impairment of Asset. In determining the fair value/ value in use of business reporting units, the Company has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates.</p> <p>As at March 31, 2022, Goodwill represents 20.22% of the Company's total assets and 33.45% of the Company's total shareholder's equity. The Company has performed its annual impairment test of goodwill and determined that there is no impairment required to be done.</p> <p>Due to significance of the above matter and involvement of the significant management judgement in estimation of fair value/ value in use, we have considered this as a key audit matter.</p>	<p>Our audit procedures in respect of this area included:</p> <ol style="list-style-type: none"> <li>1. Obtained an understanding from the management with respect to process followed and controls implemented by the Company to perform annual impairment test related to goodwill and intangibles;</li> <li>2. Assessed the Company's internal controls over preparation of annual budgets and future forecasts for the business as a whole and the approach followed for annual impairment test and key assumptions applied;</li> <li>3. Evaluated the reasonableness of the assumptions used and appropriateness of the valuation methodology applied and tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate;</li> <li>4. Assessed reasonableness and appropriateness of the future revenue and margins, the historical accuracy of the Company's estimates and its ability to produce accurate long-term forecasts;</li> <li>5. Compared the future operating cash flow forecasts with the business plan and budgets approved by the Board; and</li> <li>6. Verified the disclosures made by the management in the standalone financial statements;</li> </ol>

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

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

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

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

## Responsibilities of Management and Those Charged with Governance for the 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, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

We give in "Annexure A" a detailed description of Auditor's responsibilities for Audit of the Standalone Financial Statements.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors are 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 with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".

- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 41 to the standalone financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company
- iv. (1) The Management has represented that, to the best of its knowledge and belief, 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.
- (2) The Management has represented, that, to the best of its knowledge and belief, 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, as on the date of this audit

report, 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.

- (3) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, and according to the information and explanations provided to us by the Management in this regard 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 (1) and (2) above, contain any material mis-statement.

v. The Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend. (Refer Standalone Statement of Changes in Equity in the Standalone financial statements).

3. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Company to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**  
Partner  
Place: Hyderabad  
Date: May 10, 2022  
Membership No. 214198  
UDIN: 22214198AISFPM1049

# Annexure-A

## ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.

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 for the year ended March 31, 2022 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**  
Partner

Place: Hyderabad  
Date: May 10, 2022

Membership No. 214198  
UDIN: 22214198AISFPM1049

# Annexure-B

## ANNEXURE B TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED FOR THE YEAR ENDED MARCH 31, 2022.

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

- i. (a) (A) The company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment.
- (B) The Company has maintained proper records showing full particulars of intangible assets.
- (b) All the Property, Plant and Equipment have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us, the title deeds of all the immovable properties, (which are included under the head 'Property, plant and equipment') are held in the name of the company, except for the following property which according to the information and explanations given to us, are under dispute pending with Honourable High Court of Telangana as to the ownership of the property, as stated in Note 41 of the standalone financial statements.

Description of Property	Gross carrying Value	Held in Name of	Period held	Reason for not being held in name of company (also indicate if in dispute)
Land	3.30 Lakhs	Neuland Health Sciences Private Limited	May 30, 2005	The title deeds of the land are in the name of Neuland Health Sciences Private Limited, erstwhile Company that was merged with the company. Further, the title deed of the land is under dispute in respect of which we have been informed by the management of the company that they have filed a writ petition with Honorable High Court of Telangana.

- (d) According to the information and explanations given to us, the Company has not revalued its property, plant and Equipment (including Right of Use assets) and its intangible assets. Accordingly, the requirements under paragraph 3(i)(d) of the Order are not applicable to the Company.
- (e) According to the information and explanations given to us, no proceeding has been initiated or pending against the Company for holding benami property under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder. Accordingly, the provisions stated in paragraph 3(i)(e) of the Order are not applicable to the Company.
- ii. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification, coverage & procedure of such verification is reasonable and appropriate. No material discrepancies were noticed on such verification.
- (b) The Company has been sanctioned working capital limits in excess of ₹ 5 crores in aggregate from banks/ financial institutions on the basis of security of current assets. The statements filed with such banks/ financial institutions are in agreement with the books of accounts.
- iii. According to the information explanation provided to us, the Company has not made any investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties. Hence, the requirements under paragraph 3(iii) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, in respect of loans, investments, guarantees and security made. Further, the company has not granted any loans or provided any guarantees or securities to the parties covered under section 185 and 186 of the Act.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under.
- vi. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant as specified by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Act and we are of the opinion that prima

facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, undisputed statutory dues including goods and services tax, provident fund, employees'

state insurance, income-tax, sales-tax, duty of custom, cess have been regularly deposited by the company with appropriate authorities in all cases during the year.

(b) According to the information and explanation given to us and examination of records of the Company, the outstanding dues of income-tax, goods and service tax, customs duty, cess and any other statutory dues on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount ₹	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	693.33 lakhs	FY 2003-2004	Hon'ble High court of Telangana
Income Tax Act, 1961	Income Tax	19.01 lakhs	FY 2011-2012	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	35.85 lakhs	FY 2017-2018	Commissioner of Income Tax (Appeals)
Integrated/ Central/ State Goods and Services Tax Act, 2017	Goods and Services Tax	47.94 lakhs	FY 2016-2017	Customs Excise and Service Tax Appellate Tribunal
Customs Act, 1962	Customs (imports under advance authorisation towards non-fulfilment of export obligations)	46.25 lakhs	April 2004 to October 2008	Commissioner (Appeals)

viii. According to the information and explanations given to us, there are no transactions which are not accounted in the books of account which have been surrendered or disclosed as income during the year in Tax Assessment of the Company. Also, there are no previously unrecorded income which has been now recorded in the books of account. Hence, the provision stated in paragraph 3(viii) of the Order is not applicable to the Company.

funds raised on short-term basis have been used for long-term purposes by the company.

ix. (a) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings or in payment of interest thereon to any lender.

(e) According to the information explanation given to us and on an overall examination of the standalone financial statements of the Company, we report that the company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.

(b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the company has not been declared willful defaulter by any bank or financial institution or government or any government authority.

(f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its securities.

(c) In our opinion and according to the information explanation provided to us, money raised by way of term loans during the year have been applied for the purpose for which they were raised.

x. (a) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the provisions stated in paragraph 3 (x)(a) of the Order are not applicable to the Company.

(d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the standalone financial statements of the company, we report that no

(b) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully, partly or optionally convertible debentures during the year. Accordingly, the provisions stated in paragraph 3(x)(b) of the Order are not applicable to the Company.

- xi. (a) During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company nor on the Company.
- (b) We have not come across of any instance of material fraud by the Company or on the Company during the course of audit of the standalone financial statement for the year ended March 31, 2022, accordingly the provisions stated in paragraph (xi)(b) of the Order is not applicable to the Company.
- (c) As represented to us by the management, there are no whistle-blower complaints received by the Company during the year. Accordingly, the provisions stated in paragraph (xi)(c) of the Order is not applicable to company.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) (a) to (c) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- xiv. (a) In our opinion and based on our examination, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered internal audit reports issued by internal auditors during our audit.
- xv. According to the information and explanations given to us, in our opinion during the year the Company has not entered into non-cash transactions with directors or persons connected with its directors and hence, provisions of section 192 of the Act are not applicable to company. Accordingly, the provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.
- xvi. (a) In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi)(a) of the Order are not applicable to the Company.
- (b) In our opinion, the Company has not conducted any Non-Banking Financial or Housing Finance activities without any valid Certificate of Registration from Reserve Bank of India. Hence, the reporting under paragraph clause 3 (xvi)(b) of the Order are not applicable to the Company.
- (c) The Company is not a Core investment Company (CIC) as defined in the regulations made by Reserve Bank of India. Hence, the reporting under paragraph clause 3 (xvi)(c) of the Order are not applicable to the Company.
- (d) The Company does not have any CIC as part of its group. Hence the provisions stated in paragraph clause 3 (xvi) (d) of the order are not applicable to the company
- xvii. According to the information explanation provided to us, the Company has not incurred cash losses in the current financial year and in the immediately preceding financial year. Hence, the provisions stated in paragraph clause 3 (xvii) of the Order are not applicable to the Company.
- xviii. There has been no resignation of the statutory auditors during the year. Hence, the provisions stated in paragraph clause 3 (xviii) of the Order are not applicable to the Company.
- xix. According to the information and explanations given to us and based on our examination of financial ratios, ageing and expected date of realisation of financial assets and payment of liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans, we are of the opinion that no material uncertainty exists as on the date of audit report and the Company is 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.
- xx. According to the information and explanations given to us, the provisions of section 135 of the Act are applicable to the Company. The Company has made the required contributions during the year and there are no unspent amounts which are required to be transferred to the special account as on the date of our audit report. Accordingly, the provisions of paragraph (xx)(a) to (b) of the Order are not applicable to the Company.
- xxi. According to the information and explanations given to us, the Company does not have any Subsidiaries in India. Accordingly, reporting under clause 3(xxii) of the Order is not applicable.

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**  
Partner

Place: Hyderabad  
Date: May 10, 2022

Membership No. 214198  
UDIN: 22214198AISFPM1049



# Annexure-C

## **ANNEXURE C TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED**

*[Referred to in paragraph (2(f)) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Neuland Laboratories Limited on the Financial Statements for the year ended March 31, 2022]*

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

#### **Opinion**

We have audited the internal financial controls with reference to standalone financial statements of Neuland Laboratories 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.

In our opinion, the Company has, in all material respects, internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2022, based on the internal control with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note").

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

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on

Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether internal financial controls with reference to standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

#### **Meaning of Internal Financial Controls With reference to Standalone Financial Statements**

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

are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone financial statements.

### **Inherent Limitations of Internal Financial Controls With reference to Standalone financial statements**

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to standalone financial

statements to future periods are subject to the risk that the internal financial control with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**  
Partner

Place: Hyderabad  
Date: May 10, 2022

Membership No. 214198  
UDIN: 22214198AISFPM1049

# Standalone Balance Sheet

as at March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

	Notes	As at 31 March 2022	As at 31 March 2021
<b>I. ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3(a)	45,712.21	40,172.16
Right-of-use assets		899.68	1,224.37
Capital work-in-progress	3(b)	2,045.71	1,725.02
Investment property	36	1,965.84	1,890.64
Goodwill	38	27,946.10	27,946.10
Other intangible assets	4	212.02	349.75
<b>Financial assets</b>			
(i) Investments	5	65.56	59.81
(ii) Other financial assets	6	583.26	580.05
Income tax assets (net)		519.80	609.25
Other non-current assets	7	138.68	2,977.16
<b>Total non-current assets</b>		<b>80,088.86</b>	<b>77,534.31</b>
<b>Current assets</b>			
Inventories	8	26,521.01	24,760.77
<b>Financial assets</b>			
(i) Investments	5	337.68	645.57
(ii) Trade receivables	9	23,432.64	21,773.31
(iii) Cash and cash equivalents	10	371.84	111.59
(iv) Bank balances other than (iii) above	11	1,526.81	1,696.37
(v) Other financial assets	6	429.63	309.31
Other current assets	7	5,503.62	5,520.81
<b>Total current assets</b>		<b>58,123.23</b>	<b>54,817.73</b>
<b>Total assets</b>		<b>138,212.09</b>	<b>132,352.04</b>
<b>II. EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	12	1,290.05	1,290.05
Other equity	13	82,267.38	76,898.11
<b>Total equity</b>		<b>83,557.43</b>	<b>78,188.16</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
(i) Borrowings	14	10,424.79	8,813.26
(ii) Lease liability		693.96	958.60
Provisions	15	1,145.16	909.65
Deferred tax liabilities (net)	16	5,578.23	5,899.66
Other non-current liabilities	17	-	286.48
<b>Total non-current liabilities</b>		<b>17,842.14</b>	<b>16,867.65</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
(i) Borrowings	14	12,669.82	8,204.27
(ii) Lease liability		264.63	253.19
(iii) Trade payables			
- total outstanding dues of micro and small enterprises	18	1,621.11	856.79
- total outstanding dues of creditors other than micro and small enterprises		10,132.43	14,817.84
(iv) Other financial liabilities	19	5,328.35	6,462.02
Provisions	15	121.31	64.26
Other current liabilities	17	6,674.87	6,637.86
<b>Total current liabilities</b>		<b>36,812.52</b>	<b>37,296.23</b>
<b>Total liabilities</b>		<b>54,654.66</b>	<b>54,163.88</b>
<b>Total equity and liabilities</b>		<b>138,212.09</b>	<b>132,352.04</b>

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

As per our report of even date

For **MSKA & Associates**  
Chartered Accountants  
Firm's Registration No: 105047W

**Amit Kumar Agarwal**  
Partner  
Membership No: 214198

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

**Dr. D. R. Rao**  
Executive Chairman  
DIN 00107737

**Homi Rustam Khusrokhani**  
Independent Director  
DIN- 00005085

Place: Hyderabad  
Date: 10 May 2022

**D. Sucheth Rao**  
Vice Chairman and CEO  
DIN 00108880

**Deepak Gupta**  
Chief Financial Officer

**D. Saharsh Rao**  
Vice Chairman and Managing Director  
DIN 02753145

**Sarada Bhamidipati**  
Company Secretary

# Standalone Statement of Profit and Loss

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

	Notes	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>I. Income</b>			
Revenue from operations	20	95,107.66	93,691.31
Other income	21	207.67	1,609.49
<b>Total income (I)</b>		<b>95,315.33</b>	<b>95,300.80</b>
<b>II. Expenses</b>			
Cost of materials consumed	22	43,755.36	43,965.70
Changes in inventories of finished goods and work-in-progress	23	(1,541.47)	(124.45)
Employee benefits expense	24	17,575.85	14,402.20
Finance costs	25	1,349.44	1,789.75
Depreciation and amortisation expenses	26	4,903.64	3,967.85
Manufacturing expenses	27	13,136.31	11,630.64
Other expenses	28	7,962.22	9,172.90
<b>Total expenses (II)</b>		<b>87,141.35</b>	<b>84,804.59</b>
<b>III. Profit before tax (I-II)</b>		<b>8,173.98</b>	<b>10,496.21</b>
<b>IV. Tax expense</b>	29		
Current tax		2,042.19	1,248.29
Deferred tax		(221.55)	1,218.43
<b>Total tax expense (IV)</b>		<b>1,820.64</b>	<b>2,466.72</b>
<b>V. Profit for the year (III-IV)</b>		<b>6,353.34</b>	<b>8,029.49</b>
<b>VI. Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Re-measurement (gain)/ loss on defined benefit plans		(396.90)	(57.45)
Equity instruments through other comprehensive income		(302.16)	(96.26)
Income tax relating to items that will not be reclassified to profit or loss		99.89	14.46
<b>Total other comprehensive income for the year, net of tax (VI)</b>		<b>(599.17)</b>	<b>(139.25)</b>
<b>VII. Total comprehensive income for the year (V+VI)</b>		<b>5,754.17</b>	<b>7,890.24</b>
<b>VIII. Earnings per equity share [EPES] (in absolute ₹ terms)</b>	30		
Nominal value per equity share		10	10
Basic EPES (in ₹)		49.52	62.58
Diluted EPES (in ₹)		49.52	62.58

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

As per our report of even date

For **MSKA & Associates**  
Chartered Accountants  
Firm's Registration No: 105047W**Amit Kumar Agarwal**  
Partner  
Membership No: 214198For and on behalf of the Board of Directors of **Neuland Laboratories Limited****Dr. D. R. Rao**  
Executive Chairman  
DIN 00107737**Homi Rustam Khusrokhani**  
Independent Director  
DIN- 00005085**D. Sucheth Rao**  
Vice Chairman and CEO  
DIN 00108880**Deepak Gupta**  
Chief Financial Officer**D. Saharsh Rao**  
Vice Chairman and Managing Director  
DIN 02753145**Sarada Bhamidipati**  
Company SecretaryPlace: Hyderabad  
Date: 10 May 2022Place: Hyderabad  
Date: 10 May 2022

# Standalone Statement of Changes in Equity

as at March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## A. Equity share capital

	Notes	Number of shares	Amount *
<b>As at 31 March 2020</b>		<b>12,829,889</b>	<b>1,290.05</b>
Changes in equity share capital during the year	12	-	-
<b>As at 31 March 2021</b>		<b>12,829,889</b>	<b>1,290.05</b>
Changes in equity share capital during the year		-	-
<b>As at 31 March 2022</b>		<b>12,829,889</b>	<b>1,290.05</b>

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

## B. Other equity

	Reserves and Surplus				Other Comprehensive Income			Total equity attributable to equity holders of the Company
	Capital reserve	Securities premium	General reserve	Revaluation reserve	Retained earnings	FVOCI - equity instruments	Remeasurement of defined benefit plans	
<b>Balance as at 1 April 2020</b>	<b>3.32</b>	<b>49,777.35</b>	<b>2,789.65</b>	<b>83.89</b>	<b>16,642.31</b>	<b>40.18</b>	<b>(72.23)</b>	<b>69,264.47</b>
Profit for the year	-	-	-	-	8,029.49	-	-	8,029.49
Dividend paid	-	-	-	-	(256.60)	-	-	(256.60)
Other comprehensive income (net of tax)	-	-	-	-	-	(96.26)	(42.99)	(139.25)
<b>Balance as at 31 March 2021</b>	<b>3.32</b>	<b>49,777.35</b>	<b>2,789.65</b>	<b>83.89</b>	<b>24,415.20</b>	<b>(56.08)</b>	<b>(115.22)</b>	<b>76,898.11</b>
Profit for the year	-	-	-	-	6,353.34	-	-	6,353.34
Dividend paid	-	-	-	-	(384.90)	-	-	(384.90)
Other comprehensive income (net of tax)	-	-	-	-	-	(302.16)	(297.01)	(599.17)
<b>Balance as at 31 March 2022</b>	<b>3.32</b>	<b>49,777.35</b>	<b>2,789.65</b>	<b>83.89</b>	<b>30,383.64</b>	<b>(358.24)</b>	<b>(412.23)</b>	<b>82,267.38</b>

## Dividend made and proposed

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2022 and March 31, 2021 was ₹ 3 and ₹ 2 respectively. The Board of Directors at its meeting held on May 11, 2021 had recommended a final dividend of 30% (₹ 3 per equity share of par value ₹ 10 each) for the financial year ended March 31, 2021 which was approved by the shareholders at the Annual General Meeting held on July 7, 2021. The aforesaid dividend was paid during the year ended March 31, 2022. The Board of Directors have recommended a final dividend of 50% (₹ 5 per equity share of par value ₹ 10 each) for the financial year ended March 31, 2022 which is subject to the approval of shareholders at the Annual General Meeting

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

As per our report of even date

For **MSKA & Associates**  
Chartered Accountants  
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**  
Partner  
Membership No: 214198

**Dr. D. R. Rao**  
Executive Chairman  
DIN 00107737

**D. Sucheth Rao**  
Vice Chairman and CEO  
DIN 00108880

**D. Saharsh Rao**  
Vice Chairman and Managing Director  
DIN 02753145

**Homi Rustam Khusrokhani**  
Independent Director  
DIN- 00005085

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: 10 May 2022

Place: Hyderabad  
Date: 10 May 2022

# Standalone Statement of Cash Flows

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Cash flow from operating activities</b>		
Profit before tax	8,173.98	10,496.21
<b>Adjustments to reconcile profit before tax to net cash flow:</b>		
Depreciation and amortisation expenses	4,903.64	3,967.85
Interest income	(99.49)	(166.73)
Loss/(Gain) on sale of investment properties, net	-	(1,309.25)
Finance costs	1,349.44	1,789.75
Unrealised foreign exchange (gain)/loss, net	289.84	(135.12)
Unrealised gain on forward contracts	(58.65)	-
Provision towards doubtful trade receivables	56.79	385.33
Provision for employee benefits	(4.45)	(514.88)
<b>Operating cash flows before working capital changes</b>	<b>14,611.10</b>	<b>14,513.16</b>
<b>Movements in working capital:</b>		
Changes in inventories	(1,760.24)	(2,806.03)
Changes in trade receivables	(1,710.01)	(3,007.49)
Changes in other financial assets	(70.66)	326.78
Changes in other assets	1,772.76	(895.03)
Changes in trade payables	(3,906.13)	3,682.18
Changes in other financial liabilities	(774.98)	3,018.32
Changes in other liabilities	(249.47)	4,614.89
<b>Cash generated from operating activities</b>	<b>7,912.37</b>	<b>19,446.78</b>
Income-taxes paid (net)	(2,052.62)	(519.25)
<b>Net cash generated from operating activities (A)</b>	<b>5,859.75</b>	<b>18,927.53</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and other intangible assets	(9,588.68)	(10,538.82)
Purchase of investments property	(101.48)	-
Proceeds from sale of property, plant and equipment	43.61	0.85
Movement in other bank balances	166.06	1,881.34
Interest income received	108.77	215.12
<b>Net cash used in investing activities (B)</b>	<b>(9,371.72)</b>	<b>(8,441.51)</b>

Table continued to next page

# Standalone Statement of Cash Flows

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	4,512.68	3,636.46
Repayment of long-term borrowings	(2,226.07)	(1,459.17)
Proceeds from/(repayment of) short-term borrowings (net)	3,479.54	(11,143.58)
Interest paid on borrowings	(1,275.73)	(1,791.52)
Dividend paid (including dividend distribution tax)	(384.90)	(256.60)
Payment of principal portion of lease liabilities	(253.20)	(253.53)
Payment of interest portion of lease liabilities	(80.10)	(98.02)
<b>Net cash generated from financing activities (C)</b>	<b>3,772.22</b>	<b>(11,365.96)</b>
<b>Net increase in cash and cash equivalents during the year (A + B + C)</b>	<b>260.25</b>	<b>(879.94)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>111.59</b>	<b>991.53</b>
<b>Cash and cash equivalents at the end of the year (Note 1)</b>	<b>371.84</b>	<b>111.59</b>

## Note 1:

(₹ in lakhs)

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Cash and cash equivalents includes</b>		
Cash on hand	2.10	3.18
Balances with banks in current accounts	87.51	77.05
Balances with banks in cash credit accounts	282.23	31.36
	<b>371.84</b>	<b>111.59</b>

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

As per our report of even date

For **MSKA & Associates**  
Chartered Accountants  
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**  
Partner  
Membership No: 214198

**Dr. D. R. Rao**  
Executive Chairman  
DIN 00107737

**D. Sucheth Rao**  
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**D. Saharsh Rao**  
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**Homi Rustam Khusrokhani**  
Independent Director  
DIN- 00005085

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: 10 May 2022

Place: Hyderabad  
Date: 10 May 2022

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

## Corporate information

Neuland Laboratories Limited ("the Company") is a public limited company incorporated and domiciled in India. The company's registered office is at 11th floor (5th level, Phoenix IVY III Building Plot No. 573A, Road Number 82, Jubilee Hills, Hyderabad 500033. The shares of the company are listed on two recognised stock exchanges of India viz. the National Stock Exchange of India Limited and BSE Limited. The company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets.

The Board of Directors approved the standalone financial statements for the year ended March 31, 2022 and authorised for issue on May 10, 2022.

## 1. Basis of preparation of standalone financial statements

### Statement of Compliance with Ind AS

These standalone financial statements of the company have been prepared in accordance with the Indian Accounting Standards ("Ind AS") as notified under Section 133 of the Companies Act 2013 ("the Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules 2015, as amended, issued by the Ministry of Corporate Affairs ('MCA').

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These standalone financial statements have been prepared for the company as a going concern on the basis of relevant Ind AS that are effective at the company's annual reporting date 31 March 2022.

These standalone financial statements have been prepared on the historical cost convention and on an accrual basis except for the following material items in the balance sheet:

- Certain financial assets and liabilities which are measured at fair value;
- Net defined benefit assets / (liability) are measured at fair value of plan assets, less present value of defined benefit obligations.

### (i) Use of estimates and judgements

The preparation of standalone financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the standalone financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the standalone financial statements in the period in which changes are made and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the standalone financial statements is included in the following notes:

- Note (c), (e), (f) and (g) - Useful lives of property, plant and equipment, investment properties, goodwill and other intangible assets;
- Note (h) - Impairment;
- Note (i) - Financial instruments;
- Note (o) - Employee benefits;
- Note (s) - Provisions, contingent liabilities and contingent assets; and
- Note (q) - Income taxes

### (ii) Summary of significant accounting policies

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

#### a. Functional currency

The standalone financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the company. All financial information presented in Indian rupees has been rounded to the nearest lakhs, unless otherwise stated.



# Notes to Standalone Financial Statements

for the year ended March 31, 2022

## b. Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in the Division II – Ind AS Schedule III to the Act.

The company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Current assets / liabilities include the current portion of non-current assets / liabilities respectively. All other assets / liabilities including deferred tax assets and liabilities are classified as non-current.

## c. Property, plant and equipment (PPE)

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, taxes (other than those subsequently recoverable from tax authorities), borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the company and the cost of item can be measured reliably. If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances. Capital work- in- progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date.

Depreciation on property, plant and equipment is calculated on pro-rata basis on straight-line method using the useful lives of the assets estimated by management. The useful life is as follows:

<b>Asset</b>	<b>Useful Life (in years)</b>
Buildings	25 & 30
Plant and equipment	7 to 20
Office equipment	2 to 5
Furniture and fixtures	2 to 10
Vehicles	4 & 8
Computers	3 & 6

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

Depreciation on additions / disposals is provided on a pro-rata basis i.e. from / upto the date on which asset is ready for use / disposed-off.

The useful lives are based on historical experience with similar assets as well as anticipation of future events. The residual values are not more than 5% of the original cost of the assets. The residual values, useful lives and method of depreciation of are reviewed at each financial year-end and adjusted prospectively, if appropriate.

## d. Leases :

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Company as a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straightline method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

The Company has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

### Company as a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

periodic rate of return on the lessor's net investment in the lease. When the Company is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

## **e. Investment properties**

Property that is held for long term rental yields or for capital appreciation or for both, and that is not occupied by the company, is classified as investment property. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. When the use of a property changes from owner occupied to investment property, the property is reclassified as investment property at its carrying amount on the date of reclassification.

The useful life of investment property is estimated at 60yrs based on technical evaluation performed management's expert

## **f. Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in other comprehensive income and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## **g. Other intangible assets**

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment. These are derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from disposal of the intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the assets are disposed off.

Intangible assets are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The other intangible assets comprise of computer software expenditure and are amortized over a period of three years. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

## h. Impairment

### Impairment of non-financial assets

The carrying amounts of the company's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised in the statement of profit or loss if the estimated recoverable amount of an asset or its cash generating unit is lower than its carrying amount. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

### Impairment of financial assets

In accordance with Ind AS 109, the company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on financial assets measured at amortised cost.

Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime expected credit losses. For all other financial assets, ECL are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL.

Loss allowance for financial assets measured at amortised cost are deducted from gross carrying amount of the assets.

## i. Financial instruments

### Initial Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value and, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

### Classification and subsequent measurement

#### Financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- fair value through other comprehensive income ("FVTOCI") – debt investment;
- FVTOCI – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the company changes its business model for managing financial assets.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

## Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Other Income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss.

## FVTOCI – debt investment

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method

## Equity investment

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVTOCI – equity investment). This election is made on an investment by- investment basis.

If the company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, including foreign exchange gain or loss and excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to profit or loss, even on sale of investment. However, the company may transfer the cumulative gain or loss within equity. Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit or loss.

## FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss. Any gain or loss on derecognition is also recognised in statement of profit or loss.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

## De-recognition

### Financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the company has transferred its rights to receive cash flows from the asset.

### Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### Derivative financial instruments and hedge accounting

The company uses derivative financial instruments such as forward exchange contracts and interest rate risk exposures to hedge its risk associated with foreign currency fluctuations and changes in interest rates. Derivatives are initially measured at fair value and subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of profit or loss, since the company's hedging instruments did not qualify for hedge accounting in accordance with the Ind-AS 39. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

### Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposit held at call with financial institutions, other short - term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Dividend distribution to equity holders of the Company

The company recognises a liability to make dividend distributions to equity holders of the company when the distribution is authorised and the distribution is no longer at the discretion of the company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

## j. Inventories

### Basis of valuation:

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of engineering spares (such as machinery spare parts) and consumables or consumed as indirect materials in the manufacturing process.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

## Method of Valuation:

The Cost of raw materials, stores and consumables has been determined by using weighted average cost method and comprises all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventories to their present location and condition.

The Cost of finished goods and work-in-progress includes direct labour and an appropriate share of fixed and variable production overheads and excise duty as applicable. Fixed production overheads are allocated on the basis of normal capacity of production facilities. Cost is determined on weighted average basis.

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

## k. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are translated into the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the fair value was measured.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise

## i. Investments in the nature of equity in subsidiaries

The company has elected to recognise its investments in equity instruments in subsidiaries at cost in the separate financial statements in accordance with the option available in Ind AS 27, 'Separate Financial Statements'. The company regardless of the nature of its involvement with an entity (the investee), determines whether it is a parent by assessing whether it controls the investee. The company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the company controls an investee if and only if it has all the following:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee and
- (c) the ability to use its power over the investee to affect the amount of the returns.

Investments are accounted in accordance with Ind AS 105 when they are classified as held for sale. On disposal of investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss

## m. Revenue recognition

### Revenue from contract with customers

The company derives revenues primarily from sale of active pharmaceutical ingredients and contract research services. Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those products or services.

The company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- i. the customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs; or
- ii. the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

- iii. the company's performance does not create an asset with an alternative use to the company and an entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue in excess of invoicing are classified as contract asset while collections in excess of revenues are classified as contract liabilities.

In respect of contracts involving bill-and-hold arrangements, the company determines whether the control of the underlying products have been transferred to the customer. For the purpose of determining whether such control is transferred, the entity considers the following requirements as required by Ind AS 115:

- i. The reason for the bill-and-hold arrangement is substantive (i.e. the physical possession with the entity is pursuant to the customer's explicit request);
- ii. The product is separately identified as belonging to the customer;
- iii. The product is ready for physical transfer to the customer; and
- iv. The entity does not have the ability to use the product or to direct it to another customer.

The entity recognizes revenue in respect of bill-and-hold arrangements only when all of the aforementioned requirements are met. Further, at the time of such recognition, the entity also determines whether there are any material unsatisfied performance obligations and determines the portion of the aggregate consideration, if any, that needs to be allocated and deferred.

The company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

## Other operating revenue - Export incentives

Export Incentives under various schemes are recognised in the year of export in accordance with their respective underlying scheme at fair value of consideration received or receivable.

## Other income - Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

## Other income - Dividend income

Dividend income is recognised when the company's right to receive the payment is established, which is generally, when shareholders approve the dividend.

## n. Borrowing costs

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.



# Notes to Standalone Financial Statements

for the year ended March 31, 2022

**o. Retirement and other employee benefits**

**Defined contribution plan**

The company's contributions to defined contribution plans are recognised as an expense as and when the services are received from the employees entitling them to the contributions.

**Defined benefit plan**

The liability in respect of defined benefit plans is calculated using the projected unit credit method with actuarial valuations being carried out at the end of each annual reporting period. The company recognises the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through remeasurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The effect of any plan amendments are recognised in the statement of profit and loss.

**p. Government grants**

The company recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in-relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to reimbursement of expenses incurred are recognized in statement of profit and loss as other income.

**q. Taxes**

Tax expense recognized in statement of profit or loss consists of current and deferred tax except to the extent that it relates to items recognised in OCI or directly in equity, in which case it is recognised in OCI or directly in equity respectively.

Current income tax, assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) enacted in India by using tax rates and the tax laws that are enacted at the reporting date. Current tax assets and tax liabilities are offset where the company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off corresponding current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the company.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

## r. Research and development expense

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as expense when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if:

- The product or the process is technically and commercially feasible;
- Future economic benefits are probable and ascertainable;
- The company intends to and has sufficient resources, technical and financial, to complete development of the product and has the ability to use or sell the asset; and
- Development costs can be measured reliably.

Where the aforementioned criteria are not met, the expenditure is transferred to statement of profit and loss.

## s. Provisions, contingent liabilities and contingent assets

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the company; or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

## t. Exceptional Items

Exceptional items are transactions which due to their size or incidence are separately disclosed to enable a full understanding of the company's financial performance. Items which may be considered exceptional are significant restructuring charges, gains or losses on disposal of investments in subsidiaries, impairment losses/write down in value of investment in subsidiaries, significant disposal of fixed assets etc.

## u. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential ordinary shares

## (iii) Standards (including amendments) issued but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2022.

### Standards that became effective during the year

There are no new Standards that became effective during the year.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 3(a) Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
<b>Gross carrying value (at deemed cost)</b>								
<b>As at 1 April 2020</b>	<b>1,074.28</b>	<b>12,052.94</b>	<b>27,881.73</b>	<b>62.03</b>	<b>167.56</b>	<b>723.77</b>	<b>614.93</b>	<b>42,577.24</b>
Additions	-	1,695.67	7,824.30	17.51	53.26	203.75	185.45	9,979.94
Disposals/retirement	-	-	(127.02)	(0.40)	-	(68.68)	(3.26)	(199.36)
<b>Balance as at 31 March 2021</b>	<b>1,074.28</b>	<b>13,748.61</b>	<b>35,579.01</b>	<b>79.14</b>	<b>220.82</b>	<b>858.84</b>	<b>797.12</b>	<b>52,357.82</b>
Additions	-	3,572.81	5,781.40	168.46	168.53	284.89	193.00	10,169.09
Disposals/retirement	-	(104.04)	(516.91)	(28.84)	(2.81)	(139.94)	(72.45)	(864.99)
<b>Balance as at 31 March 2022</b>	<b>1,074.28</b>	<b>17,217.38</b>	<b>40,843.50</b>	<b>218.76</b>	<b>386.54</b>	<b>1,003.79</b>	<b>917.67</b>	<b>61,661.92</b>
<b>Accumulated depreciation</b>								
<b>Upto 1 April 2020</b>	<b>-</b>	<b>1,216.97</b>	<b>6,989.04</b>	<b>25.80</b>	<b>45.97</b>	<b>262.58</b>	<b>288.11</b>	<b>8,828.47</b>
Charge for the year	-	507.40	2,680.68	11.05	19.39	186.69	123.15	3,528.36
Adjustments for disposals/retirement	-	-	(115.04)	(0.36)	-	(52.67)	(3.10)	(171.17)
<b>Balance as at 31 March 2021</b>	<b>-</b>	<b>1,724.37</b>	<b>9,554.68</b>	<b>36.49</b>	<b>65.36</b>	<b>396.60</b>	<b>408.16</b>	<b>12,185.66</b>
Charge for the year	-	638.81	3,408.19	34.72	32.45	160.05	130.41	4,404.63
Adjustments for disposals/retirement	-	(10.51)	(435.01)	(26.87)	(2.63)	(96.73)	(68.83)	(640.58)
<b>Balance as at 31 March 2022</b>	<b>-</b>	<b>2,352.67</b>	<b>12,527.86</b>	<b>44.34</b>	<b>95.18</b>	<b>459.92</b>	<b>469.74</b>	<b>15,949.71</b>
<b>Net carrying value as at 31 March 2021</b>	<b>1,074.28</b>	<b>12,024.24</b>	<b>26,024.33</b>	<b>42.65</b>	<b>155.46</b>	<b>462.24</b>	<b>388.96</b>	<b>40,172.16</b>
<b>Net carrying value as at 31 March 2022</b>	<b>1,074.28</b>	<b>14,864.71</b>	<b>28,315.64</b>	<b>174.42</b>	<b>291.36</b>	<b>543.87</b>	<b>447.93</b>	<b>45,712.21</b>

Note:

- Freehold land includes land aggregating to ₹ 3.30, held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in Note No. 41(d).
- Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings
- Refer note 37 for details of expenditure during construction period transferred from capital work-in-progress to property, plant and equipment.
- Depreciation and amortisation expenses as per Statement of Profit & Loss includes ₹324.69 towards depreciation on Right to use assets & ₹26.23 towards amortisation of Investment Property

Relevant line in the Balance Sheet	Description of item of property	Gross carrying amount	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter/director or employee of promoter/director	Property held since which date	Reason for not being held in the name of Company
Property, plant and equipment	Freehold land	3.3	Neuland Health Sciences Pvt limited (NHSPL)	No	30th May 2005	NHSPL got merged with Neuland laboratories Limited, it is because of the dispute referred in note 41(d), the title deed is pending to be transferred in the name of Company

\* The property was held by NHSPL since 30th May 2005 and became part of Company's PPE on merger of NHSPL with the Company.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 3(b) Capital-Work-in Progress (CWIP)

### (i) For Capital-work-in progress ageing schedule

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
<b>31 March 2022</b>					
Projects in progress	1,972.45	73.26	-	-	2,045.71
<b>31 March 2021</b>					
Projects in progress	1,196.36	260.11	268.55	-	1,725.02

### (ii) In case of the following projects (CWIP), where completion is overdue compared to its original plan:

#### 31 March 2022

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
<b>Projects in progress</b>				
Environment, Health & Safety	1,106.07	-	-	-
Manufacturing capacities and infra	306.65	-	-	-
R&D labs and infrastructure	48.45	-	-	-
QC lab modification	30.77	17.62	-	-
Admin related project	9.26	-	-	-
<b>Total</b>	<b>1,501.20</b>	<b>17.62</b>	-	-
<b>Previous Year</b>	<b>499.31</b>	<b>887.52</b>	-	-

## 4 Other intangible assets

	Computer Software (₹ in lakhs)
<b>Gross carrying value (at deemed cost)</b>	
<b>As at 1 April 2020</b>	<b>523.73</b>
Additions	282.48
<b>Balance as at 31 March 2021</b>	<b>806.21</b>
Additions	10.36
<b>Balance as at 31 March 2022</b>	<b>816.57</b>
<b>Accumulated amortization</b>	
<b>Upto 1 April 2020</b>	<b>327.97</b>
Charge for the year	128.49
<b>Balance as at 31 March 2021</b>	<b>456.46</b>
Charge for the year	148.09
<b>Balance as at 31 March 2022</b>	<b>604.55</b>
<b>Net carrying value as at 31 March 2021</b>	<b>349.75</b>
<b>Net carrying value as at 31 March 2022</b>	<b>212.02</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 5. Investments

	As at 31 March 2022	As at 31 March 2021
<b>Non-current</b>		
<b>Investments in unquoted equity shares (fully paid up, unless stated otherwise)</b>		
<i>In subsidiaries (carried at cost)</i>		
300,000 (31 March 2021: 300,000) equity shares of Japan Yen 10 each in Neuland Laboratories K.K., Japan, representing 100% shareholding	15.37	15.37
1,000 (31 March 2021: 1,000) equity shares of USD 1 each in Neuland Laboratories Inc., USA, representing 100% shareholding	0.45	0.45
<i>In others (carried at fair value through profit and loss)</i>		
2,200 (31 March 2021: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (31 March 2021: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91
<b>Investments in unquoted government securities (carried at fair value through profit and loss)</b>	1.61	1.61
<b>Investment in quoted mutual funds (carried at at fair value through other comprehensive income)</b>		
100,000 (31 March 2021: 100,000) units of ₹10 each in SBI Mutual Fund	25.02	19.27
<b>Total non-current investments</b>	<b>65.56</b>	<b>59.81</b>
Aggregate value of unquoted investments	40.54	40.54
Aggregate value of quoted investments	25.02	19.27
Change in fair value of the investments during the year	5.75	8.16
Aggregate amount of impairment in value of investments	-	-
<b>Current</b>		
<i>Investment in unquoted equity shares (fully paid up, unless stated otherwise)</i>		
<i>In others (carried at at fair value through other comprehensive income)</i>		
402,000 (31 March 2021: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	<b>337.68</b>	<b>645.57</b>
<b>Note:</b>		
Aggregate value of unquoted investments	337.68	645.57
Aggregate value of quoted investments	-	-
Change in fair value of the investments during the year	(307.89)	(104.43)
Aggregate amount of impairment in value of investments	412.32	104.43

## 6. Other financial assets

	As at 31 March 2022	As at 31 March 2021
<b>(Unsecured, considered good)</b>		
<b>Non-current</b>		
Security deposits	568.47	565.26
Advances to related parties (refer note 39)	14.79	14.79
	<b>583.26</b>	<b>580.05</b>
<b>Current</b>		
Interest accrued on bank deposits	7.28	16.56
Unbilled revenues	363.70	292.75
Derivative instruments at fair value through profit or loss	58.65	-
	<b>429.63</b>	<b>309.31</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 7. Other assets

	As at 31 March 2022	As at 31 March 2021
<b>(Unsecured, considered good)</b>		
<b>Non-current</b>		
Capital advances	121.82	1,204.73
Balances with government authorities	16.86	1,772.43
	<b>138.68</b>	<b>2,977.16</b>
<b>Current</b>		
Prepaid expenses	729.17	709.26
Advance to suppliers	1,499.27	1,309.37
Balances with government authorities	2,710.18	2,661.39
Export benefits receivable	344.35	149.99
Other advances	220.65	690.80
	<b>5,503.62</b>	<b>5,520.81</b>

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

	As at 31 March 2022	As at 31 March 2021
Raw materials [including goods in transit of ₹ 2153.43 (31 March 2021: ₹ 1346.73)]	7,764.88	7,857.31
Work-in-progress	11,940.95	10,763.26
Finished goods	5,266.74	4,902.96
Stores and consumables	1,548.44	1,237.24
	<b>26,521.01</b>	<b>24,760.77</b>

## 9. Trade receivables

	As at 31 March 2022	As at 31 March 2021
Trade receivables considered good - unsecured	23,432.64	21,773.31
Trade receivables which have significant increase in credit risk	420.56	337.31
	<b>23,853.20</b>	<b>22,110.62</b>
Less: Loss allowance for doubtful receivables	(420.56)	(337.31)
	<b>23,432.64</b>	<b>21,773.31</b>

Note:

1. No trade receivables are due from any related parties including directors or other officers of the Company either severally or jointly with any other person.
2. Refer note 32 for the Company's credit risk management process

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 31 March 2022

Particulars	Not Due	Outstanding for following periods from due date of Receipts					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	18,620.71	4,762.66	30.37	18.90	-	-	23,432.64
(ii) Undisputed Trade Receivables –which have significant increase in credit risk	37.73	19.26	2.63	125.84	59.48	175.62	420.56
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed Trade Receivables–considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Less: Allowance for bad and doubtful debts (Disputed + Undisputed)	37.73	19.26	2.63	125.84	59.48	175.62	420.56
	<b>18,620.71</b>	<b>4,762.66</b>	<b>30.37</b>	<b>18.90</b>	-	-	<b>23,432.64</b>

## 31 March 2021

Particulars	Not Due	Outstanding for following periods from due date of Receipts					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	15,756.52	5,592.59	423.79	0.41	-	-	21,773.31
(ii) Undisputed Trade Receivables –which have significant increase in credit risk	-	6.69	2.52	87.26	240.84	-	337.31
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed Trade Receivables–considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Less: Allowance for bad and doubtful debts (Disputed + Undisputed)	-	6.69	2.52	87.26	240.84	-	337.31
	<b>15,756.52</b>	<b>5,592.59</b>	<b>423.79</b>	<b>0.41</b>	-	-	<b>21,773.31</b>

## Movement in the expected credit loss allowance

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Balance at the beginning of the year	337.31	805.40
Allowance for expected credit loss (net)	83.25	354.61
Bad debts written off during the year	-	(822.70)
<b>Balance at the end of the year</b>	<b>420.56</b>	<b>337.31</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 10. Cash and cash equivalents

	As at 31 March 2022	As at 31 March 2021
<b>Balance with banks:</b>		
in current accounts	87.51	77.05
in cash credit accounts	282.23	31.36
Cash on hand	2.10	3.18
	<b>371.84</b>	<b>111.59</b>

## 11. Bank balances other than cash and cash equivalents

	As at 31 March 2022	As at 31 March 2021
Unpaid dividend account	9.62	13.12
Fixed deposits with less than 12 months of maturity*	1,517.19	1,683.25
	<b>1,526.81</b>	<b>1,696.37</b>

\* Includes deposits amounting to ₹ 1,517.19 (31 March 2021: ₹ 1,517.25) held as margin money/commitment with the banks.

## 12. Equity share capital

	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
<b>Authorized share capital</b>				
Equity shares of ₹10 each	44,000,000	4,400.00	44,000,000	4,400.00
<b>Issued share capital</b>				
Equity shares of ₹10 each, fully paid-up	13,023,434	1,302.34	13,023,434	1,302.34
<b>Subscribed share capital</b>				
Equity shares of ₹10 each, fully paid-up	12,933,165	1,293.32	12,933,165	1,293.32
<b>Fully paid-up share capital</b>				
Equity shares of ₹10 each	12,829,889	1,282.99	12,829,889	1,282.99
Add: Forfeited equity shares of ₹10 each		7.06		7.06
		<b>1,290.05</b>		<b>1,290.05</b>

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

	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
<b>Equity shares</b>				
Balance at the beginning of the year	12,829,889	1,282.99	12,829,889	1,282.99
Add: Issued during the year	-	-	-	-
<b>Balance at the end of the year</b>	<b>12,829,889</b>	<b>1,282.99</b>	<b>12,829,889</b>	<b>1,282.99</b>

### ii. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to prior consent from consortium and approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.



# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## iii. Details of shareholders holding more than 5% equity shares in the Company

Name of the equity shareholders	As at 31 March 2022		As at 31 March 2021	
	Number	Holding	Number	Holding
Dr. D R Rao	3,203,474	24.97%	3,203,474	24.97%
Malabar India Fund Limited	1,277,096	9.95%	1,277,096	9.95%

## iv. Details of Shares held by Promoters at the end of the year

S. No	Promoter name	31 March 2022			31 March 2021		
		No. Of Shares	% of total shares	% Change during the year	No. Of Shares	% of total shares	% Change during the year
1	Davuluri Rama Mohan Rao	3,203,474	24.97	-	3,203,474	24.97	-
2	Davuluri Vijaya Rao <sup>^</sup>	613,338	4.78	-	613,338	4.78	-
3	Sucheth Rao Davuluri	337,542	2.63	-	337,542	2.63	2.9
4	Davuluri Saharsh Rao	253,587	1.98	0.039	253,487	1.98	-
5	Davuluri Rohini Niveditha Rao <sup>^</sup>	85,780	0.67	-	85,780	0.67	-47.5
6	Gannabathula Venkata Krishna Rama Rao	41,717	0.33	-	41,717	0.33	-8.2
7	Gannabathula Veeravenkata Satyanarayanamurthy <sup>^</sup>	27,351	0.21	-	27,351	0.21	-10.3
8	Gannabathula Uma Bala <sup>^</sup>	6,409	0.05	-	6,409	0.05	-
9	Usha Rani Reddy Chevella <sup>^</sup>	77,634	0.61	-	77,634	0.61	100.0
10	Velugubanti S Prasadarao <sup>^</sup>	100	-	-	100	-	-
11	Suryanarayana M Siram <sup>^</sup>	100	-	-	100	-	-
	<b>Total</b>	<b>4,647,032</b>	<b>36.23</b>	<b>0.039</b>	<b>4,646,932</b>	<b>36.23</b>	<b>0.1</b>

<sup>^</sup>Part of Promoter Group

## 13. Other equity

	As at 31 March 2022	As at 31 March 2021
<b>Reserves and surplus</b>		
Capital reserve	3.32	3.32
Securities premium	49,777.35	49,777.35
General reserve	2,789.65	2,789.65
Revaluation reserve	83.89	83.89
Retained earnings	30,383.64	24,415.20
<b>Total reserves and surplus</b>	<b>83,037.85</b>	<b>77,069.41</b>
<b>Other comprehensive income</b>		
FVOCI - equity instruments, net of taxes	(358.24)	(56.08)
Remeasurement of defined benefit plan, net of taxes	(412.23)	(115.22)
<b>Total Other Comprehensive Income</b>	<b>(770.47)</b>	<b>(171.30)</b>
	<b>82,267.38</b>	<b>76,898.11</b>

### Nature and purpose of reserves

#### Capital reserve

Capital reserve was created on account of merger of Neuland Drugs & Pharmaceuticals Private Limited with the Company. The Company uses capital reserve for transactions in accordance with the provisions of the Act.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## Securities premium

The amount received in excess of face value of the equity shares is recognised in securities premium. In case of equity-settled share based payment transactions, the difference between fair value on grant date and face value of share is accounted as securities premium. This reserve is utilised in accordance with the provisions of the Act.

## General reserve

General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes.

## Revaluation reserve

Revaluation reserve was created on account of revaluation of certain property, plant and equipment during the earlier years.

## FVOCI equity instruments

The Company has elected to recognise the change in fair value of certain investments in other comprehensive income. These changes are accumulated within the FVOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

## Remeasurement of defined benefit plan

The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit plan of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to statement of profit or loss.

## 14. Borrowings

	As at 31 March 2022	As at 31 March 2021
<b>Non-current</b>		
<b>Secured</b>		
<b>Term loans</b>		
From banks	13,452.30	11,005.62
<b>Vehicle loans</b>		
From banks	74.29	106.52
From other parties	346.55	206.95
	<b>13,873.14</b>	<b>11,319.09</b>
Less: Current maturities of long-term borrowings	3,448.35	2,505.83
	<b>10,424.79</b>	<b>8,813.26</b>

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

Loan	Outstanding Amount as at 31 March 2022	Outstanding Amount as at 31 March 2021	Number of instalments	Repayment start date
Term Loan 1	2,406.43	3,048.14	28/ Quarterly	March'19
Term Loan 2	1,339.29	1,696.43	28/ Quarterly	April'19
Term Loan 3	2,220.20	2,782.94	17/ Quarterly	January'21
Term Loan 4	3,135.54	3,478.11	20/ Quarterly	Oct'21
Term Loan 5	4,350.84	-	20/ Quarterly	June'22

- (i) The above loans are secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. The term loans of 1 & 3 from banks are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao.
- (ii) Vehicles loans outstanding to the tune of ₹ 420.84 (31 March 2021: ₹ 313.47) are secured by hypothecation of specific vehicles against which the loan was availed. Vehicle loans are repayable in instalments ranging from 35 to 59 months from the date of the loan.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

(iii) All the above loans carry interest in the range of 1.8% to 8.5% per annum as at 31 March 2022(31 March 2021: 7.55% to 9.85% per annum).

(iv) Details of repayment of non-current borrowings

	As at 31 March 2022	As at 31 March 2021
Up to 1 year	3,448.35	2,505.83
From 1 to 3 years	6,827.10	4,938.37
3 years and above	3,597.69	3,874.89
	<b>13,873.14</b>	<b>11,319.09</b>

	As at 31 March 2022	As at 31 March 2021
<b>Current</b>		
Current maturities of long-term borrowings	3,448.35	2,505.83
Secured loans from banks	9,221.47	5,698.44
	<b>12,669.82</b>	<b>8,204.27</b>

(i) Loans outstanding represent packing credit and working capital demand facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 0.70% to 8.5% per annum (31 March 2021: 0.70% to 9.90% per annum).

(ii) The above loans with all working capital lenders are secured by way of pari-passu first charge on all the current assets of the Company and pari-passu second charge on Company's property, plant and equipment. All of the above working capital loans are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao in favour of the working capital lenders.

(iii) The quarterly returns submitted with banks are in agreement of the books of accounts

## 15. Provisions

	As at 31 March 2022	As at 31 March 2021
<b>Non-current</b>		
Gratuity (refer note (a))	822.96	651.86
Compensated absences	322.20	257.79
	<b>1,145.16</b>	<b>909.65</b>
<b>Current</b>		
Compensated absences	121.31	64.26
	<b>121.31</b>	<b>64.26</b>

### (a) Gratuity

The Company has a defined benefit funded gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC) & Kotak Gratuity Group Plan. Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes up to a maximum limit of ₹ 20.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

	As at 31 March 2022	As at 31 March 2021
<b>(i) Change in projected benefit obligation</b>		
Projected benefit obligation at the beginning of the year	1,268.81	1,199.64
Service cost	132.45	116.42
Interest cost	81.22	74.12
Actuarial (gain) / loss	368.81	55.97
Benefits paid	(169.32)	(177.34)
Projected benefit obligation at the end of the year	<b>1,681.97</b>	<b>1,268.81</b>
<b>(ii) Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	616.95	27.08
Value adjustment	(31.74)	(1.48)
Expected return on plan assets	43.13	1.83
Employer contributions	407.52	775.41
Benefits paid	(176.85)	(185.89)
Fair value of plan assets at the end of the year	<b>859.01</b>	<b>616.95</b>
<b>(iii) Reconciliation of present value of obligation on the fair value of plan assets</b>		
Present value of projected benefit obligation at the end of the year	1,681.97	1,268.81
Funded status of the plans	(859.01)	(616.95)
Net liability recognised in the balance sheet	<b>822.96</b>	<b>651.86</b>
<b>(iv) Expense recognized in the statement of profit and loss</b>		
Service cost	132.45	116.42
Interest cost	81.22	74.12
Expected returns on plan assets	(43.13)	(1.83)
Net gratuity costs	<b>170.54</b>	<b>188.71</b>
<b>(v) Expense recognized in OCI</b>		
Recognized net actuarial (gain)/ loss	396.90	57.45
	<b>396.90</b>	<b>57.45</b>
<b>(v) Key actuarial assumptions</b>		
<b>Financial assumptions</b>		
Discount rate	6.33%	6.86%
Expected return on plan assets	6.86%	6.75%
Withdrawal Rate	Service Based: <5 years : 30% >= 5 years : 15%	4.00%
Salary escalation rate	7.00%	4.00%
<b>Demographic assumptions</b>		
Mortality rate as per Indian Assured Lives Mortality 2012-14 table		
<b>(vi) Sensitivity Analysis</b>		
Projected defined benefit obligation	1,681.97	1,268.81
Discount rate + 100 basis points	1,615.84	1,196.56
Discount rate - 100 basis points	1,753.96	1,364.95
Salary increase rate + 100 basis points	1,745.12	1,363.59
Salary increase rate - 100 basis points	1,621.60	1,195.91
<b>(vii) Maturity analysis of projected benefit obligation</b>		
1 year	347.61	152.27
2 to 5 years	762.06	420.29
6 to 10 years	419.39	553.44
More than 10 years	152.91	135.97

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and salary escalation rate. The calculation of the net defined benefit liability is sensitive to these assumptions. Sensitivity to these factors is disclosed above.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 16. Deferred tax liabilities (net)

	As at 31 March 2022	As at 31 March 2021
<b>Deferred tax liabilities arising on account of :</b>		
Property, plant and equipment, goodwill and other intangible assets	7,243.95	6,942.01
Others	7.01	6.89
<b>Deferred tax assets arising on account of :</b>		
Employee benefits	(528.78)	(518.19)
Provision for trade receivables and advances	(105.71)	(90.61)
Investment property	(1,038.24)	(440.44)
<b>Deferred tax liabilities (net)</b>	<b>5,578.23</b>	<b>5,899.66</b>

- (a) In assessing whether the deferred tax assets will be realised, management considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of the deferred income tax assets in the nature of business loss carry forward is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realise the benefits of those recognised deductible difference of business loss carry forward. Recoverability of deferred tax assets is based on estimates of future taxable income and any changes in such future taxable income would impact the recoverability of deferred tax assets. However, management believes that any reasonable possible change in the key assumptions would not effect the Company's ability to recover the deferred tax asset

## 17. Other liabilities

	As at 31 March 2022	As at 31 March 2021
<b>Non-current</b>		
Advances from customers	-	3.00
Security deposit received	-	283.48
	-	<b>286.48</b>
<b>Current</b>		
Advances from customers	6,322.15	6,360.72
Statutory liabilities	352.72	277.14
	<b>6,674.87</b>	<b>6,637.86</b>

## 18. Trade payables

	As at 31 March 2022	As at 31 March 2021
Total outstanding dues of micro enterprises and small enterprises	1,621.11	856.79
Total outstanding dues of creditors other than micro enterprises and small enterprises	10,132.43	14,817.84
	<b>11,753.54</b>	<b>15,674.63</b>

Note:

1. Refer note 32 for the Company's liquidity risk management process
2. The above amount includes amounts payable to subsidiaries. (refer note 39(c))

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

3. The Micro and Small Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors. Details of dues to such parties are given below:

	As at 31 March 2022	As at 31 March 2021
The principal amount remaining unpaid as at the end of the year	1,621.11	856.79
The amount of interest accrued and remaining unpaid at the end of the year	1.61	8.90
Amount of interest paid by the company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year.	-	-
Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006).	-	-
The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006).	-	-

## 31 March 2022

Particulars	Current					
	Payables Not Due	Outstanding for following periods from due date of Payment				
	Less than 1 year	1-2 years	2-3 years	More than 3 years		
(i) MSME	832.93	679.30	91.40	1.89	15.59	1,621.11
(ii) Disputed dues - MSME	-	-	-	-	-	-
(iii) Others	5,972.97	3,612.44	238.17	70.30	238.55	10,132.43
(iv) Disputed dues - Others	-	-	-	-	-	-
	<b>6,805.90</b>	<b>4,291.74</b>	<b>329.57</b>	<b>72.19</b>	<b>254.14</b>	<b>11,753.54</b>

## 31 March 2021

Particulars	Current					
	Payables Not Due	Outstanding for following periods from due date of Payment				
	Less than 1 year	1-2 years	2-3 years	More than 3 years		
(i) MSME	747.37	108.50	0.92	-	-	856.79
(ii) Disputed dues - MSME	-	-	-	-	-	-
(iii) Others	10,229.60	4,140.04	187.22	113.47	147.51	14,817.84
(iv) Disputed dues - Others	-	-	-	-	-	-
	<b>10,976.97</b>	<b>4,248.54</b>	<b>188.14</b>	<b>113.47</b>	<b>147.51</b>	<b>15,674.63</b>

## 19. Other financial liabilities

	As at 31 March 2022	As at 31 March 2021
<b>Current</b>		
Interest accrued but not due on borrowings	33.21	39.60
Unclaimed dividends	11.98	13.16
Creditors for capital goods	796.66	1,148.96
Employee related liabilities	830.06	1,128.43
Accrual for expenses	3,144.90	3,284.01
Others	511.54	847.86
	<b>5,328.35</b>	<b>6,462.02</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 20. Revenue from operations

	For the year ended 31 March 2022	For the year ended 31 March 2021
Sale of products	88,738.27	88,125.24
Sale of services	3,595.14	3,692.43
<b>Other operating revenues</b>		
Sale of impurities	196.89	253.49
Scrap sales	916.70	355.36
Export incentives	1,660.66	1,264.79
	<b>95,107.66</b>	<b>93,691.31</b>

## Disaggregation of revenue

### Revenue based on Geography

	For the year ended 31 March 2022	For the year ended 31 March 2021
India	26,527.81	23,484.42
Europe	26,898.37	33,139.00
USA	25,401.53	19,469.91
Rest of the world	16,279.95	17,597.98
	<b>95,107.66</b>	<b>93,691.31</b>

## Unsatisfied performance obligations

The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations in case of contracts for which revenues are recorded over a period of time is ₹944.98, which is expected to be fully recognised as revenue in the next year. No consideration from contracts with customers is excluded from the amount mentioned above and contract asset relating to partially satisfied performance obligations aggregates to ₹363.70 as at 31 March 2022 (31 March 2021: ₹ 292.75)

## 21. Other income

	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest income	99.49	166.73
Incentive under market access initiative scheme	59.92	5.59
Profit on sale of Investment in Properties (net)	-	1,309.25
Other non-operating income	48.26	127.92
	<b>207.67</b>	<b>1,609.49</b>

## 22. Cost of raw materials consumed

	For the year ended 31 March 2022	For the year ended 31 March 2021
Raw materials at the beginning of the year	7,857.31	5,500.27
Add: Purchases during the year*	43,662.93	46,322.74
Less: Raw materials at the end of the year	7,764.88	7,857.31
<b>Cost of raw material consumed</b>	<b>43,755.36</b>	<b>43,965.70</b>

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

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 23. Changes in inventories of finished goods and work-in-progress

	For the year ended 31 March 2022	For the year ended 31 March 2021
Opening stock		
- Finished goods	4,902.96	4,525.47
- Work-in-progress	10,763.26	11,016.30
	<b>15,666.22</b>	<b>15,541.77</b>
Closing balance		
- Finished goods	5,266.74	4,902.96
- Work-in-progress	11,940.95	10,763.26
	<b>17,207.69</b>	<b>15,666.22</b>
	<b>(1,541.47)</b>	<b>(124.45)</b>

## 24. Employee benefits expense

	For the year ended 31 March 2022	For the year ended 31 March 2021
Salaries, wages and bonus	15,636.46	12,797.01
Contribution to provident and other funds (note (a) below)	689.96	537.60
Gratuity expense	170.54	188.71
Compensated absences expense	224.32	141.24
Staff welfare expenses	854.57	737.64
	<b>17,575.85</b>	<b>14,402.20</b>

(a) During the year ended 31 March 2022, the Company contributed ₹ 667.00 (31 March 2021: ₹ 514.96) to provident fund and ₹ 22.96 (31 March 2021: ₹ 22.64) towards employee state insurance fund

## 25. Finance costs

	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest expense	873.24	1,296.20
Interest on operating lease liabilities	80.11	98.02
Other borrowing costs	396.09	509.70
	<b>1,349.44</b>	<b>1,903.92</b>
Less: Borrowing costs capitalized *	-	(114.17)
	<b>1,349.44</b>	<b>1,789.75</b>

\* The Company has not capitalised borrowing costs in FY22. The rate for capitalisation of borrowing cost was approximately 9.47% in FY21

## 26. Depreciation and amortisation expense

	For the year ended 31 March 2022	For the year ended 31 March 2021
Depreciation on property, plant and equipment	4,404.63	3,528.36
Depreciation on right-of-assets	324.69	310.99
Depreciation on investment property	26.23	-
Amortisation of intangible assets	148.09	128.49
	<b>4,903.64</b>	<b>3,967.85</b>



# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 27. Manufacturing expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
Consumption of stores and spare parts	4,731.96	4,011.36
Consumption of packing material	424.05	338.77
Power and fuel	4,220.75	3,920.73
Carriage inwards	148.02	164.79
Repairs and maintenance		
- Buildings	415.69	397.45
- Plant and equipment	932.04	774.79
- Others	1,276.14	1,101.09
Effluent treatment and testing charges	987.66	921.66
	<b>13,136.31</b>	<b>11,630.64</b>

## 28. Other expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
Rent	15.66	18.21
Corporate Social Responsibility ('CSR') expenditure (refer note ii below)	116.84	88.02
Rates and taxes	948.60	1,738.37
Travelling and conveyance	909.32	663.87
Legal and professional fees	1,046.27	829.78
Remuneration to statutory auditors (refer note i below)	40.20	36.41
Insurance	425.82	395.09
Advertisement and subscription expense	681.72	645.08
Sales promotion expenses including commission*	1,751.40	2,576.44
Freight and forwarding charges	1,166.79	1,016.96
Provision for doubtful debts and advances, net	56.79	385.33
Foreign exchange loss, net	10.22	216.73
Loss on sale of property, plant and equipment, net	180.81	27.34
Directors commission	35.00	35.00
Sitting fees	29.40	24.90
Miscellaneous expenses	547.38	475.37
	<b>7,962.22</b>	<b>9,172.90</b>

\* includes an amount of ₹ 955 lakhs towards settlement of international taxation litigation under Vivad Se Vishwas Scheme in FY21

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

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>As auditor:</b>		
- Audit fee, including tax audit	35.00	30.00
- Certifications	5.05	5.75
- Reimbursement of expenses	0.15	0.66
	<b>40.20</b>	<b>36.41</b>

### (ii) Details of CSR expenditure :

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The Company has a CSR committee as per the Act. The funds were primarily utilized through the year on skill building, covid support activities etc

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

puruant to Schedule VII of the Companies Act, 2013. Total expenditure incurred on Corporate Social Responsibility (CSR) activities during the year ended March 31, 2022 is ₹ 116.84 lakhs (March 31, 2021 is ₹ 88.02 lakhs). The Company has availed a set-off of ₹ 12.06 lakhs out of excess amount of ₹ 17.10 Lakhs spent during the financial year ended March 31, 2021 and considering the same, the cumulative spend for the financial year ended March 31, 2022 is considered at ₹ 128.90 Lakhs

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
a) Amount required to be spent by the Company during the year	128.90	70.92
b) Amount of expenditure incurred on purpose other than construction/ acquisition of any asset	116.84	88.02
c) Excess spend of prior years set off during the year	12.06	-
d) Shortfall at the end of the year [(d)=(a)-(b)-(c)]	-	-

## 29. Income tax

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Income tax expense recognised in the statement of profit and loss consists of the following:</b>		
Current income tax	2,042.19	1,248.29
Deferred tax expense / (benefit)	(221.55)	1,218.43
<b>Total tax expense for the year</b>	<b>1,820.64</b>	<b>2,466.72</b>

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (31 March 2021: 25.17%) and the reported tax expense in the statement of profit and loss is as follows:

### Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

	For the year ended 31 March 2022	For the year ended 31 March 2021
Profit before tax	8,173.98	10,496.21
Tax rate applicable to the Company	25.17%	25.17%
Estimated tax expense on profit <sup>^</sup>	2,057.23	2,617.23
<b>Increase/(decrease) in tax expenses on account of:</b>		
Earlier year impact	(311.71)	(191.81)
Chapter VI A deduction	(20.39)	-
Expenses disallowed	74.91	29.03
Others	20.60	12.27
<b>Income tax expense</b>	<b>1,820.64</b>	<b>2,466.72</b>

<sup>^</sup> Estimated tax expenses includes tax on Capital Gains at rates different than the tax rate of 25.17%

## 30. Earnings per equity share (EPES)

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Net profit for the year</b>	6,353.34	8,029.49
<b>Computation of weighted average number of equity shares:</b>		
Weighted average number of equity shares outstanding during the year	12,829,889	12,829,889
<b>EPES (in absolute ₹):</b>		
Basic	49.52	62.58
Diluted	49.52	62.58

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 31. Fair value measurements

### (i) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the Balance Sheet are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for financial instruments.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data either directly or indirectly.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### (ii) Financial assets and financial liabilities measured at fair value

	31 March 2022		31 March 2021	
	Level 1	Level 2	Level 1	Level 2
<b>Financial assets</b>				
Investments	25.02	362.40	19.27	670.29
Derivatives - Forward contracts	58.65	-	-	-

### (iii) Financial instruments by category

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

	31 March 2022			31 March 2021		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
<b>Financial assets</b>						
Investments	24.72	362.70	15.82	24.72	664.84	15.82
Trade receivables	-	-	23,432.64	-	-	21,773.31
Cash and cash equivalents	-	-	371.84	-	-	111.59
Other bank balances	-	-	1,526.81	-	-	1,696.37
Other financial assets	-	-	1,012.89	-	-	889.36
<b>Total financial assets</b>	<b>24.72</b>	<b>362.70</b>	<b>26,360.00</b>	<b>24.72</b>	<b>664.84</b>	<b>24,486.45</b>

	31 March 2022		31 March 2021	
	FVTPL	Amortised cost	FVTPL	Amortised cost
<b>Financial liabilities</b>				
Borrowings	-	23,094.61	-	17,017.53
Lease liability	-	958.59	-	1,211.79
Trade payables	-	11,753.54	-	15,674.63
Other financial liabilities	-	5,328.35	-	6,462.02
<b>Total financial liabilities</b>	<b>-</b>	<b>41,135.09</b>	<b>-</b>	<b>40,365.97</b>

The Company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, cash and cash equivalents and other bank balances that derive directly from its operations. The Company also holds FVOCI investments and investment in its subsidiary.

- (iv) The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature. Difference between carrying amounts and fair values of bank deposits, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented. For all other amortised cost instruments, carrying value represents the best estimate of fair value.

For financial assets measured at fair values, the carrying amounts are equal to the fair values.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 32. Financial instruments risk management

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The Company's risk management policies are established to identify and analyse the risks faced by the Company and seek to, where appropriate, minimize potential impact of the risk and to control and monitor such risks. There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for management of these risks.

### A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, trade receivables and other financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2022 and 31 March 2021. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

#### i. Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has loan facilities on floating interest rate, which exposes the Company to risk of changes in interest rates. The management monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary. The Company's investment in deposits with banks are for short durations and therefore do not expose the Company to significant interest rate risk. Below are the details of exposure to fixed rate and variable rate instruments:

Particulars	31 March 2022	31 March 2021
<b>Fixed rate instruments</b>		
Financial assets	1,517.19	1,683.25
Financial liabilities	4,771.68	3,096.41
<b>Variable rate instruments</b>		
Financial liabilities	18,322.93	13,921.12

Every 0.5% increase/decrease in the interest rate component applicable to the respective borrowings would effect the Company's net profit before tax resulting in an expense/income of ₹91.61 and ₹69.61 for the year ended 31 March 2022 and 31 March 2021 respectively.

#### ii. Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of change in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in foreign currency) and financing activities (when borrowings are denominated in foreign currency). The foreign currencies in which these transactions are denominated are US Dollars, Euros, Japanese Yen, Great British Pound and Swiss Franc. The Company uses foreign exchange forward contracts to hedge its exposure in foreign currency risk.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

**a) Significant foreign currency risk exposure relating to financial assets and financial liabilities expressed in ₹ terms are as follows:**

**Financial assets**

Trade receivables	31 March 2022	31 March 2021
- USD	18,015.91	14,617.64
- EUR	34.85	1,219.04

Cash & cash equivalents	31 March 2022	31 March 2021
- USD	27.88	18.50

**Financial liabilities**

Trade payables	31 March 2022	31 March 2021
- USD	1,881.45	3,068.99
- EUR	8.43	37.17
- GBP	13.84	-
- CHF	0.65	-
- JPY	88.38	104.74

Borrowings	31 March 2022	31 March 2021
- USD	15,101.63	4,393.35
- EUR	-	-

**b) Derivative financial instruments**

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

	Sell	31 March 2022	31 March 2021
Derivatives not designated as hedges			
Forward contract	USD (in lakhs)	US \$157.05	-
Interest rate swaps	USD (in lakhs)	-	-

**c) Foreign currency sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in USD and Euro exchange rates, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material.

Particulars	Impact on profit after tax for the year ended	
	31 March 2022	31 March 2021
USD sensitivity		
₹/USD - Increase by 5%	53.04	358.69
₹/USD - Decrease by 5%	(53.04)	(358.69)
EUR sensitivity		
₹/EUR - Increase by 5%	1.32	59.09
₹/EUR - Decrease by 5%	(1.32)	(59.09)

**iii. Equity price risk:**

'The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI/FVTPL. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and total comprehensive income by ₹38.70 (31 March 2021: ₹68.96).

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at 31 March 2022 and 31 March 2021.

### Ageing of trade receivables is as follows:

	31 March 2022	31 March 2021
Neither past due nor impaired	18,620.71	15,756.52
Past due not impaired:		
0-180 days	4,762.66	5,592.59
Greater than 180 days	49.27	424.20
	<b>23,432.64</b>	<b>21,773.31</b>

## C. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows.

### Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

31 March 2022	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	12,669.82	6,827.10	3,597.69	23,094.61
Lease liability	345.86	675.25	98.37	1,119.48
Trade and other payables	11,753.54			11,753.54
Other financial liabilities	5,328.35			5,328.35
<b>Total</b>	<b>30,097.57</b>	<b>7,502.35</b>	<b>3,696.06</b>	<b>41,295.98</b>

31 March 2021	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	8,204.27	4,938.37	3,874.89	17,017.53
Lease liability	358.38	708.84	410.65	1,477.87
Trade and other payables	15,674.63			15,674.63
Other financial liabilities	6,462.02			6,462.02
<b>Total</b>	<b>30,699.30</b>	<b>5,647.21</b>	<b>4,285.54</b>	<b>40,632.05</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 33. Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Hence, the Company may adjust any dividend payments, return capital to shareholders or issue new shares or sell assets to reduce debt. Total capital is the equity as shown in the statement of financial position. Currently, the Company primarily monitors its capital structure on the basis of the following gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Company.

The capital for the reporting year under review is summarized as follows:

	As at 31 March 2022	As at 31 March 2021
Total borrowings	23,094.61	17,017.53
Less: Cash and cash equivalents (including bank deposits with original maturity between 3 to 12 months)	(1,889.03)	(1,794.84)
<b>Net debt</b>	<b>21,205.58</b>	<b>15,222.69</b>
Total equity	83,557.43	78,188.16
<b>Net debt to equity ratio</b>	<b>25.38%</b>	<b>19.47%</b>

## 34. Net debt reconciliation

Particulars	Current borrowings	Non-current borrowings	Cash and cash equivalents	Deposits	Net debt
<b>As at 1 April 2020</b>	<b>16,817.25</b>	<b>9,141.80</b>	<b>991.53</b>	<b>3,564.59</b>	<b>21,402.93</b>
Cash flows (net)	(11,143.58)	2,177.29	(879.94)	(1,881.34)	(6,205.01)
For-ex adjustment	24.77	-	-	-	24.77
Interest expenses, including interest capitalized	-	-	-	-	-
Interest paid	-	-	-	-	-
<b>As at 31 March 2021</b>	<b>5,698.44</b>	<b>11,319.09</b>	<b>111.59</b>	<b>1,683.25</b>	<b>15,222.69</b>
Cash flows (net)	3,479.54	2,286.61	260.25	(166.06)	5,671.96
For-ex adjustment	43.49	267.44	-	-	310.93
Interest expenses, including interest capitalized	-	-	-	-	-
Interest paid	-	-	-	-	-
<b>As at 31 March 2022</b>	<b>9,221.47</b>	<b>13,873.14</b>	<b>371.84</b>	<b>1,517.19</b>	<b>21,205.58</b>

## 35. Research and development expenses

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditures are given below:

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Revenue Expenditure</b>		
Salaries and wages	2,054.33	1,351.85
Consumption of raw materials and consumables	473.04	522.90
Power and fuel	244.93	231.83
	<b>2,772.30</b>	<b>2,106.58</b>
<b>Capital Expenditure</b>	<b>863.00</b>	<b>178.11</b>

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 36. Investment properties

Investment properties comprise of carrying value of land and capital work-in-progress, representing the cost incurred towards development and construction activity at the said land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited ("TSIIC") (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited).

Particulars	As at 31 March 2022	As at 31 March 2021
<b>Gross block</b>		
Opening balance	1,890.64	2,981.39
Addition	101.43	-
Transfer	-	1,090.75
Closing balance	1,992.07	1,890.64
<b>Accumulated depreciaton</b>		
Opening	-	-
During the year	26.23	-
Disposal	-	-
Closing	26.23	-
<b>Net Block</b>	1,965.84	1,890.64
<b>Fair Value</b>	11,424.84	11,424.84

## 37. Expenditure during construction period (pending allocation)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Opening Balance	-	370.40
<b>Less:</b>		
Capitalized during the year	-	370.40
	-	-

## 38. Goodwill

Pursuant to the Scheme of Amalgamation and Arrangement ("the Scheme") duly approved by the National Company Law Tribunal, Hyderabad Bench vide their order dated 21 March 2018, Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") (together referred to as "Transferor Companies"), were merged with the Company with appointed date of 1 April 2016. NHSPL is engaged in the business of conducting research and development of Peptides and NPRPL is in the business of contract research services.

The purchase consideration of ₹31,084.99 paid by way of issue of 2,270,635 equity shares of ₹10 each [in accordance with the Scheme, 4,590,608 equity shares of ₹10 each held by NHSPL in the Company stands cancelled and the Company shall issue 6,861,095 and 148 fully paid-up equity shares of ₹10 each to the shareholders of NHSPL and NPRPL respectively] at a premium of ₹1,359 per equity share.

Excess of consideration paid over net assets taken over aggregating to ₹27,946.10 is recognized as Goodwill.



# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## Reconciliation of the carrying amount of goodwill:

	As at 31 March 2022	As at 31 March 2021
Opening balance	27,946.10	27,946.10
Add: Due to acquisition during the year	-	-
Less: Impairment/write off	-	-
<b>Closing Balance</b>	<b>27,946.10</b>	<b>27,946.10</b>

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.50% for the year ended 31 March 2022. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

## 39. Related party disclosures

### (a) Names of the related parties and nature of relationship

Particulars
<b>Subsidiaries</b>
Neuland Laboratories Inc., USA
Neuland Laboratories K.K., Japan
<b>Enterprise over which key management personnel exercise significant influence</b>
Neuland Foundation
<b>Key Management Personnel</b>
Dr. D. R. Rao - Executive Chairman
Mr.D. Sucheth Rao - Vice Chairman and CEO
Mr.D. Saharsh Rao - Vice Chariman & MD
Dr. Christopher M. Cimarusti - Non-Executive Non-Independent Director
Mr.Humayun Dhanrajgir - Non-Executive Independent Director
Mr.Parampally Vasudeva Maiya - Non-Executive Independent Director
Dr. William Gordon Mitchell - Non-Executive Independent Director (Cessation due to demise on 6th December 2021)
Mrs.Bharati Rao - Non-Executive Independent Director
Dr. Nirmala Murthy - Non-Executive Independent Director
Mr.Homi Rustam Khusrokhhan - Non-Executive Independent Director
Mr.Deepak Gupta - Chief Financial Officer (with effect from 24th September 2020)
<b>Relatives of Key Management Personnel</b>
Mrs.D. Vijaya Rao
Mrs.D. Rohini Niveditha Rao

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## (b) Transactions with related parties

	(₹ in lakhs)	
	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Subsidiaries</b>		
Sales promotion expenses including commission	886.91	778.47
<b>Transactions with KMP</b>		
Managerial remuneration	1,093.14	1,052.68
Rent	250.69	157.95
Director's sitting fee	29.40	24.90
Commission	35.00	35.00
<b>Transactions with relatives of KMP</b>		
Rent	79.20	75.73

## (c) Balances receivable/(payables)

		As at 31 March 2022	As at 31 March 2021
<b>Subsidiaries</b>			
Neuland Laboratories Inc., USA	Creditor for expenses	(449.22)	(364.11)
Neuland Laboratories K.K., Japan	Creditor for expenses	(77.20)	(97.16)
Neuland Laboratories K.K., Japan	Advance	14.79	14.79
<b>Key Management Personnel</b>			
Mr. D. Sucheth Rao	Security deposit	121.40	121.40
Mr.D. Saharsh Rao	Security deposit	121.40	121.40
Dr. D. R. Rao	Remuneration Payable	(130.00)	(220.00)
Mr. D. Sucheth Rao	Remuneration Payable	(125.00)	(200.00)
Mr.D. Saharsh Rao	Remuneration Payable	(125.00)	(180.00)
Non Executive Directors	Sitting Fee/Commission/ Profesional Fee	(35.00)	(10.10)
<b>Relative of Key Management Personnel</b>			
Mrs. D Vijaya Rao	Security deposit	19.20	19.20
Mrs. D Vijaya Rao	Rent Payable	(7.21)	(7.03)

Note:

Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the working capital limits availed by the Company. (Refer note: 14)

## (d) Transaction with related parties

In accordance with the applicable provisions of the Income Tax Act, 1961, the Company is required to use certain specified methods in assessing that the transactions with the subsidiaries, are carried at an arm's length price and is also required to maintain prescribed information and documents to support such assessment. The appropriate method to be adopted will depend on the nature of transactions / class of transactions, class of associated persons, functions performed and other factors as prescribed. Based on certain internal analysis carried out, management believes that transactions entered into with the related parties were carried out at arms length prices. The Company is in the process of updating the transfer pricing documentation for the financial year ended 31 March 2022. In opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

## 40. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹1831.45 (31 March 2021: ₹2,284.55).

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 41. Contingent liabilities and pending litigations

	As at 31 March 2022	As at 31 March 2021
<b>Disputed income tax liabilities</b>		
Assessment year 2004-05 - refer note (a) below	693.33	693.33
Other income tax matters	55.20	19.01
<b>GST/Customs</b>		
Assessment year 2017-18 towards availment of transitional input tax credit (GST)	47.94	-
Non- fulfilment of export obligation (customs)	46.25	-
<b>Other Disputes/Matters</b>		
Public litigation against land parcel allotment by APIICL- refer note (b) below	1,965.84	1,890.64
CIGSR Order for land parcel at Bonthapally in survey no 490/2- refer note (c) below	0.64	0.64
CIGSR Order for land parcel at Bonthapally in survey no 490/1- refer note (d) below	3.30	3.30
Certain disputes, for unascertained amounts are pending in the Labour Courts, Telangana Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect.	Not ascertainable	Not ascertainable
<b>Other Claims and Gurantees</b>		
Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company	4,655.20	7,863.71

Note:

(a) The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year 2004-05 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the Income Tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favour of the Company. The Income Tax department has however filed an appeal with the Hon'ble High Court of Telangana in this regard, which is pending final outcome. However, on the basis of its internal assessment and considering the order of the first level appellate authority, the Company is confident of securing an favourable order from the High Court and accordingly, no adjustments have been made to the standalone financial statements in this regard.

### Other pending litigations / contingent liabilities:

(b) During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹1,965.84.

(c) Our Company purchased land in Survey No. 490/2 situated at Bonthapally Village, Jinnaram Mandal, Medak District. The Revenue department issued notices to our Company for resumption of the said land on the ground that the same was "assigned land". Our Company has filed an application before the Collector, Medak District for regularization of the said land as per the applicable laws. Our Company also filed a writ petition before the High Court praying for an order not to take any coercive steps. The High Court vide its order dated March 18, 2011 directed the revenue department to not take any coercive steps till the disposal of the representation filed by our Company.

The matter is pending before the Collector, Medak District. The management believes that the outcome will be in favour of the Company and hence no adjustment is made in the financial statements.'

(d) During the financial year ended 31 March 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide it's order dated 22 February 2008 has cancelled the registration of the land parcel owned by the company situated at Bontapally pursuant to complain made by one of the seller. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated 31 December 2010 has directed to maintain the status quo with regards to the possession of the property till further orders passed. Proceedings of the case are still pending with the court. The management is confident that orders will be in the favour of the Company, hence no adjustment is deemed necessary to these standalone financial statements.

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 42. Leases

The Company has entered into operating leases of office premises and residential bungalow, with no restrictions and are renewable at the option of either of the parties, for a period of 3 years to 5 years. The escalation rates is 5% per annum as per the terms of the lease agreement. There are no sub leases. The Company applies the short term lease and lease of low value assets recognition exemption for few leases.

Particulars	31 March 2022	31 March 2021
<b>(i) The movement in right-of-use assets is as follows :</b>		
<b>Opening balance</b>	1,224.37	384.39
Reclassified on account of adoption of Ind AS 116	-	-
Addition during the year	-	1,150.97
Deletions during the year	-	-
Depreciation charge for the year	(324.69)	(310.99)
<b>Closing balance</b>	<b>899.68</b>	<b>1,224.37</b>
<b>(ii) The break-up of current and non-current lease liabilities is as follows</b>		
Non-current lease liabilities	693.96	958.60
Current lease liabilities	264.63	253.19
<b>(iii) The movement in lease liabilities is as follows :</b>		
<b>Opening balance</b>	1,211.79	414.42
Reclassified on account of adoption of Ind AS 116	-	-
Addition during the year	-	1,050.90
Accretion of interest	80.11	98.02
Deletions during the year	-	-
Payment of principal portion of lease liabilities	(253.20)	(253.53)
Payment of interest portion of lease liabilities	(80.10)	(98.02)
<b>Closing balance</b>	<b>958.60</b>	<b>1,211.79</b>
<b>(iv) The contractual maturities of lease liabilities on an undiscounted basis are as follows:</b>		
Less than one year	345.86	358.38
One to five years	773.62	1,119.49
More than five years	-	-

Note:

- The aggregate depreciation expense on right-of-use assets of ₹ 324.69 is included under depreciation and amortization expense in the Statement of Profit and Loss.
- Rental expense recorded for short-term and low value leases was ₹ 15.66 for the year ended March 31, 2022.
- The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due."

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 43 Summary of significant accounting policies and other explanatory information for the year ended 31 March 2022

(All amounts are in Indian Rupees in lakhs, except for share data and where otherwise stated)

### Ratio

S No.	Ratio	Formula	Particulars	March 31, 2022	March 31, 2021	Ratio as on March 31, 2022	Ratio as on March 31, 2021	Variation	Reason (If variation is more than 25%)	
			Numerator	Denominator	Numerator	Denominator	Numerator	Denominator		
(a)	Current Ratio	Current Assets / Current Liabilities	Current Assets= Inventories + Current Investment + Trade Receivable + Cash & Cash Equivalents + Other Current Assets + Contract Assets + Assets held for Sale	58,123.23	36,812.52	54,817.73	37,296.23	1.58	1.47	-7%
(b)	Debt-Equity Ratio	Debt / Equity	Debt= long term borrowing and current maturities of long-term borrowings	13,873.14	83,557.43	11,319.09	78,188.16	0.17	0.14	15%
(c)	Debt/Service Coverage Ratio	Net Operating Income / Debt Service	Net Operating Income= Debt Service = Interest & Lease Payments + Principal Repayments	14,427.06	3,835.10	16,253.81	3,602.24	3.76	4.51	-17%
(d)	Return on Equity Ratio	Profit after tax less pref. Dividend x 100 / Shareholder's Equity	Net Income= Net Profits after taxes	6,353.34	83,557.43	8,029.49	78,188.16	7.60%	10.27%	-26% Fall in profits & increase in capital base on profit accumulation
(e)	Inventory Turnover Ratio	Cost of Goods Sold / Average Inventory	Cost of Goods Sold	77,829.69	25,640.89	73,841.94	23,357.74	3.04	3.16	-4%
(f)	Trade Receivables Turnover Ratio	Net Credit Sales / Average Trade Receivables	Net Credit Sales	93,447.00	22,981.91	92,426.52	20,952.31	4.07	4.41	-8%
(g)	Trade Payables Turnover Ratio	Net Credit Purchases / Average Trade Payables	Net Credit Purchases	43,662.93	13,714.08	46,322.74	13,837.23	3.18	3.35	5%
(h)	Net Capital Turnover Ratio	Revenue / Average Working Capital	Revenue	95,107.66	19,416.11	93,691.31	16,352.88	4.90	5.73	-15%
(i)	Net Profit Ratio	Net Profit / Net Sales	Net Profit	6,353.34	95,107.66	8,029.49	93,691.31	6.68%	8.57%	-22%
(j)	Return on Capital Employed	EBIT / Capital Employed	EBIT= Earnings before interest and taxes	9,523.42	98,227.69	12,285.96	90,915.51	9.70%	13.51%	Fall in profits and increase in capital employed on profit accumulation, capex funding & higher working capital requirement
(k)	Return on Investment	Net Profit / Net Investment	Net Profit	6,353.34	83,557.43	8,029.49	78,188.16	7.60%	10.27%	Fall in profits & increase in capital base on profit accumulation

# Notes to Standalone Financial Statements

for the year ended March 31, 2022

(All amounts are in Indian ₹ in lakhs, except for share data and where otherwise stated)

## 44. Segment reporting

In accordance with Ind AS 108 - 'Operating segments', segment information has been given in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

- 45.** The Code on Social Security 2020 ('the Code') relating to employee benefits, during the employment and post-employment, has received Presidential assent on September 28, 2020. The Code has been published in the Gazette of India. Further, the Ministry of Labour and Employment has released draft rules for the Code on November 13, 2020. However, the effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are also not yet issued.

The Company will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

- 46.** The standalone financial statements are approved for issue by the Company's Board of Directors on 10 May 2022.

This is the Summary of Significant Accounting Policies and Other Explanatory Information referred to in our report of even date.

For **MSKA & Associates**  
Chartered Accountants  
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**  
Partner  
Membership No: 214198

**Dr. D. R. Rao**  
Executive Chairman  
DIN 00107737

**D. Sucheth Rao**  
Vice Chairman and CEO  
DIN 00108880

**D. Saharsh Rao**  
Vice Chairman and Managing Director  
DIN 02753145

**Homi Rustam Khusrokhhan**  
Independent Director  
DIN- 00005085

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: 10 May 2022

Place: Hyderabad  
Date: 10 May 2022

# Independent Auditor's Report

To the Members of **Neuland Laboratories Limited**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Neuland Laboratories Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2022, and the Consolidated Statement of Profit and Loss, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of reports of other auditors on separate financial statements and on the other financial information of subsidiaries the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other accounting principles generally accepted

in India, of their consolidated state of affairs of the Group as at March 31, 2022, of consolidated profit, consolidated changes in equity and its consolidated cash flows for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2022. 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.

Sr. No	Key Audit Matters	How the Key Audit Matter was addressed in our audit
1	<p><b>Impairment of Goodwill</b></p> <p>Refer Note 37 to the consolidated financial statements.</p> <p>Goodwill is tested for impairment by the Management on an annual basis as required by IND AS 36 - Impairment of Assets. In determining the fair value/ value in use of business reporting units, the Group has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates.</p> <p>As at March 31, 2022, Goodwill represents 20.22% of the Holding Company's total assets and 33.45% of the Holding Company's total shareholder's equity. The Holding Company has performed its annual impairment test of goodwill and determined that there is no impairment required to be done.</p> <p>Due to significance of the above matter and involvement of the significant management judgement in estimation of fair value/ value in use, we have considered this as a key audit matter.</p>	<p>Our audit procedures in respect of this area included:</p> <ol style="list-style-type: none"> <li>Obtained an understanding from the management with respect to process followed and controls implemented by the Group to perform annual impairment test related to goodwill and intangibles;</li> <li>Assessed the Group's internal controls over preparation of annual budgets and future forecasts for the business as a whole and the approach followed for annual impairment test and key assumptions applied;</li> <li>Evaluated the reasonableness of the assumptions used and appropriateness of the valuation methodology applied and tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate;</li> <li>Assessed reasonableness and appropriateness of the future revenue and margins, the historical accuracy of the Group's estimates and its ability to produce accurate long-term forecasts;</li> <li>Compared the future operating cash flow forecasts with the business plan and budgets approved by the Board; and</li> <li>Verified the disclosures made by the management in the consolidated financial statements;</li> </ol>

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

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

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

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

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

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

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

We give in "Annexure A" a detailed description of Auditor's responsibilities for Audit of the Consolidated Financial Statements.

### Other Matters

We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets (before consolidation adjustments) of ₹ 694.19 lakhs as at March 31, 2022, total revenues (before consolidation adjustments) of ₹ 886.86 lakhs, total net profit (before consolidation adjustments) and other comprehensive income (before consolidation adjustments) of ₹ 28.86 lakhs and net cash out flows (before consolidation adjustments) amounting to ₹ 0.85 Lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

Further, both these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and



belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

- b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2022 taken on record by the Board of Directors, none of the directors of the Group are 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 internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group— Refer Note 41 to the consolidated financial statements.
  - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.
  - iv. (1) The respective Managements of the Holding Company whose financial statements have been audited under the Act have represented to us that, to the best of their knowledge and belief, 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 Holding Company or the subsidiaries to or in any other person(s) or

entity(ies), including foreign entities with the understanding, whether recorded in writing or otherwise, as on the date of this audit report, that such parties shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company or the subsidiaries ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

- (2) The respective Managements of the Holding Company whose financial statements have been audited under the Act have represented to us that to the best of their knowledge and belief, no funds have been received by the Holding Company or any its subsidiaries from any person(s) or entity(ies), including foreign entities with the understanding, whether recorded in writing or otherwise, as on the date of this audit report, that the Holding Company or any of the subsidiaries 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.
- (3) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us, and according to the information and explanations provided to us by the Management of the Holding company in this regard 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 (1) and (2) above, contain any material mis-statement.
- v. The Board of Directors of the Holding Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend. (Refer Consolidated Statement of Changes in Equity in the Consolidated financial statements).

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**  
Partner  
Membership No. 214198  
UDIN: 22214198AISGUD4483

Place: Hyderabad  
Date: May 10, 2022

# Annexure-A

## TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended March 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**  
Partner

Place: Hyderabad  
Date: May 10, 2022

Membership No. 214198  
UDIN: 22214198AISGUD4483

# Annexure-B

## TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED

*[Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Neuland Laboratories Limited on the consolidated Financial Statements for the year ended March 31, 2022]*

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

#### Opinion

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 with reference to consolidated financial statements of Neuland Laboratories Limited (hereinafter referred to as "the Holding Company") as of that date.

In our opinion, and to the best of our information and according to the explanations given to us, the Holding Company, have, in all material respects, an adequate internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at March 31, 2022, based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("the ICAI").

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

The respective Board of Directors of the Holding company are responsible for establishing and maintaining internal financial controls based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial

statements of the Holding company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether internal financial controls with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors 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 with reference to consolidated financial statements of the Holding company.

#### Meaning of Internal Financial Controls With Reference to Consolidated Financial Statements

A company's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions

are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

### **Inherent Limitations of Internal Financial Controls With Reference to Consolidated Financial Statements**

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may

occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**  
Partner  
Membership No. 214198  
UDIN: 22214198AISGUD4483

Place: Hyderabad  
Date: May 10, 2022

# Consolidated Balance Sheet

as at March 31, 2022

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

	Notes	As at 31 March 2022	As at 31 March 2021
<b>I. ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3(a)	45,712.23	40,173.45
Right of use assets		899.68	1,224.37
Capital work-in-progress	3(b)	2,045.71	1,725.02
Investment property	36	1,965.84	1,890.64
Goodwill	37	27,946.10	27,946.10
Other intangible assets	4	212.02	349.75
<b>Financial assets</b>			
(i) Investments	5	49.74	44.00
(ii) Other financial assets	6	586.24	584.04
Non-current tax assets		515.01	605.51
Other non-current assets	7	138.68	2,977.16
<b>Total non-current assets</b>		<b>80,071.25</b>	<b>77,520.04</b>
<b>Current assets</b>			
Inventories	8	26,521.01	24,760.77
<b>Financial assets</b>			
(i) Investments	5	337.68	645.57
(ii) Trade receivables	9	23,432.64	21,773.31
(iii) Cash and cash equivalents	10	509.14	243.56
(iv) Bank balances other than (iii) above	11	1,526.81	1,696.37
(v) Other financial assets	6	429.63	309.31
Other current assets	7	5,520.68	5,529.83
<b>Total current assets</b>		<b>58,277.59</b>	<b>54,958.72</b>
<b>Total assets</b>		<b>1,38,348.84</b>	<b>1,32,478.76</b>
<b>II. EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	12	1,290.05	1,290.05
Other equity	13	82,760.03	77,355.72
<b>Total equity</b>		<b>84,050.08</b>	<b>78,645.77</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
(i) Borrowings	14	10,424.79	8,813.26
(ii) Lease liability		693.96	958.60
Provisions	15	1,191.43	943.89
Deferred tax liabilities (net)	16	5,669.94	5,975.68
Other non-current liabilities	17	2.98	290.47
<b>Total non-current liabilities</b>		<b>17,983.10</b>	<b>16,981.90</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
(i) Borrowings	14	12,669.82	8,204.27
(ii) Lease liability		264.63	253.19
(ii) Trade payables			
- total outstanding dues of micro and small enterprises	18	1,621.11	856.79
- total outstanding dues of creditors other than micro and small enterprises		9,605.67	14,356.66
(iii) Other financial liabilities	19	5,348.66	6,467.99
Provisions	15	121.31	64.26
Other current liabilities	17	6,684.46	6,647.93
<b>Total current liabilities</b>		<b>36,315.66</b>	<b>36,851.09</b>
<b>Total liabilities</b>		<b>54,298.76</b>	<b>53,832.99</b>
<b>Total equity and liabilities</b>		<b>1,38,348.84</b>	<b>1,32,478.76</b>

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

As per our report of even date

For **MSKA & Associates**  
Chartered Accountants  
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**  
Partner  
Membership No: 214198

**Dr. D. R. Rao**  
Executive Chairman  
DIN 00107737

**D. Sucheth Rao**  
Vice Chairman and CEO  
DIN 00108880

**D. Saharsh Rao**  
Vice Chairman and Managing Director  
DIN 02753145

**Homi Rustam Khusrokhani**  
Independent Director  
DIN- 00005085

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: 10 May 2022

Place: Hyderabad  
Date: 10 May 2022

# Consolidated Statement of Profit and Loss

for the year ended March 31, 2022

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

	Notes	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>I. Income</b>			
Revenue from operations	20	95,107.66	93,691.31
Other income	21	207.68	1,609.51
<b>Total income (I)</b>		<b>95,315.34</b>	<b>95,300.82</b>
<b>II. Expenses</b>			
Cost of materials consumed	22	43,755.36	43,965.70
Changes in inventories of finished goods and work-in-progress	23	(1,541.47)	(124.45)
Employee benefits expense	24	18,247.23	14,973.67
Finance costs	25	1,349.51	1,789.83
Depreciation and amortisation expenses	26	4,904.02	3,968.26
Manufacturing expenses	27	13,136.31	11,630.64
Other expenses	28	7,248.13	8,563.82
<b>Total expenses (II)</b>		<b>87,099.09</b>	<b>84,767.47</b>
<b>III. Profit before tax (I-II)</b>		<b>8,216.25</b>	<b>10,533.36</b>
<b>IV. Tax expense</b>	29		
Current tax		2,042.90	1,255.73
Deferred tax		(208.85)	1,214.55
<b>Total tax expense (IV)</b>		<b>1,834.05</b>	<b>2,470.28</b>
<b>V. Profit for the year (III-IV)</b>		<b>6,382.20</b>	<b>8,063.07</b>
<b>VI. Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Re-measurement gains/(losses) on defined benefit plans		(396.90)	(57.45)
Equity instruments through other comprehensive income		(302.16)	(96.26)
Income tax relating to items that will not be reclassified to profit or loss		99.89	14.46
<b>Items that will be reclassified to profit or loss</b>			
Exchange differences in translating the financial statements of foreign operations		6.18	(17.22)
<b>Total other comprehensive income for the year, net of tax (VI)</b>		<b>(592.99)</b>	<b>(156.47)</b>
<b>VII. Total comprehensive income for the year (V+VI)</b>		<b>5,789.21</b>	<b>7,906.60</b>
<b>VIII. Earnings per equity share [EPES] (in absolute ₹ terms)</b>	30		
Nominal value per equity share		10	10
Basic EPES		49.74	62.85
Diluted EPES		49.74	62.85

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

As per our report of even date

For **MSKA & Associates**  
Chartered Accountants  
Firm's Registration No: 105047WFor and on behalf of the Board of Directors of **Neuland Laboratories Limited****Amit Kumar Agarwal**  
Partner  
Membership No: 214198**Dr. D. R. Rao**  
Executive Chairman  
DIN 00107737**D. Sucheth Rao**  
Vice Chairman and CEO  
DIN 00108880**D. Saharsh Rao**  
Vice Chairman and Managing Director  
DIN 02753145**Homi Rustam Khusrokhani**  
Independent Director  
DIN- 00005085**Deepak Gupta**  
Chief Financial Officer**Sarada Bhamidipati**  
Company SecretaryPlace: Hyderabad  
Date: 10 May 2022Place: Hyderabad  
Date: 10 May 2022

# Consolidated Statement of Changes in Equity

as at March 31, 2022

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

## A Equity share capital

	Number of shares	Amount
As at 1 April 2020	1,28,29,889	1,290.05
Changes in equity share capital during the year	-	-
As at 31 March 2021	1,28,29,889	1,290.05
Changes in equity share capital during the year	-	-
As at 31 March 2022	1,28,29,889	1,290.05

## B Other Equity

	Reserves and Surplus					Other Comprehensive Income			Total
	Capital reserve	Securities premium	General Reserve	Revaluation reserve	Retained earnings	FVOCI - equity instruments	Foreign currency translation reserve	Remeasurement of defined benefit plans	
<b>Balance as at 1 April 2020</b>	<b>3.32</b>	<b>49,777.35</b>	<b>2,789.65</b>	<b>83.89</b>	<b>17,009.39</b>	<b>40.18</b>	<b>74.17</b>	<b>(72.23)</b>	<b>69,705.72</b>
Profit for the year	-	-	-	-	8,063.07	-	-	-	8,063.07
Dividend paid (including dividend distribution tax)	-	-	-	-	(256.60)	-	-	-	(256.60)
Other comprehensive income (net of tax)	-	-	-	-	-	(96.26)	(17.22)	(42.99)	(156.47)
<b>Balance as at 31 March 2021</b>	<b>3.32</b>	<b>49,777.35</b>	<b>2,789.65</b>	<b>83.89</b>	<b>24,815.86</b>	<b>(56.08)</b>	<b>56.95</b>	<b>(115.22)</b>	<b>77,355.72</b>
Profit for the year	-	-	-	-	6,382.20	-	-	-	6,382.20
Dividend paid	-	-	-	-	(384.90)	-	-	-	(384.90)
Other comprehensive income (net of tax)	-	-	-	-	-	(302.16)	6.18	(297.01)	(592.99)
<b>Balance as at 31 March 2022</b>	<b>3.32</b>	<b>49,777.35</b>	<b>2,789.65</b>	<b>83.89</b>	<b>30,813.16</b>	<b>(358.24)</b>	<b>63.13</b>	<b>(412.23)</b>	<b>82,760.03</b>

### Dividend made and proposed

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2022 and March 31, 2021 was ₹ 3 and ₹ 2 respectively. The Board of Directors at its meeting held on May 11, 2021 had recommended a final dividend of 30% (₹ 3 per equity share of par value ₹ 10 each) for the financial year ended March 31, 2021 which was approved by the shareholders at the Annual General Meeting held on July 7, 2021. The aforesaid dividend was paid during the year ended March 31, 2022. The Board of Directors have recommended a final dividend of 50% (₹ 5 per equity share of par value ₹ 10 each) for the financial year ended March 31, 2022 which is subject to the approval of shareholders at the Annual General Meeting

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

As per our report of even date

For **MSKA & Associates**  
Chartered Accountants  
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**  
Partner  
Membership No: 214198

**Dr. D. R. Rao**  
Executive Chairman  
DIN 00107737

**D. Sucheth Rao**  
Vice Chairman and CEO  
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**D. Saharsh Rao**  
Vice Chairman and Managing Director  
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**Homi Rustam Khusrokhhan**  
Independent Director  
DIN- 00005085

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: 10 May 2022

Place: Hyderabad  
Date: 10 May 2022

# Consolidated Statement of Cash Flows

for the year ended March 31, 2022

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

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Cash flow from operating activities</b>		
Profit before tax	8,216.25	10,533.35
<b>Adjustments to reconcile profit before tax to net cash flow:</b>		
Depreciation and amortisation expenses	4,904.02	3,968.26
Interest income	(99.50)	(166.75)
Loss/(Gain) on sale of investment properties, net	-	(1,309.25)
Finance costs	1,349.51	1,789.83
Unrealised foreign exchange gain/(loss), net	289.84	(147.80)
Unrealised gain on forward contracts	(58.65)	-
Provision towards doubtful trade receivables	56.79	385.33
Provision for employee benefits	7.58	(511.16)
<b>Operating cash flows before working capital changes</b>	<b>14,665.84</b>	<b>14,541.81</b>
<b>Movements in working capital:</b>		
Changes in inventories	(1,760.24)	(2,806.03)
Changes in trade receivables	(1,710.01)	(3,007.50)
Changes in other assets	1,764.72	(897.66)
Changes in trade payables	(3,971.71)	3,664.55
Changes in other financial assets	(69.65)	327.92
Changes in other financial liabilities	(760.64)	3,023.22
Changes in other liabilities	(250.96)	4,617.15
<b>Cash generated from operating activities</b>	<b>7,907.35</b>	<b>19,463.46</b>
Income-taxes paid, net	(2,049.28)	(527.29)
<b>Net cash generated from operating activities (A)</b>	<b>5,858.07</b>	<b>18,936.17</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and other intangible assets	(9,587.79)	(10,539.70)
Purchase of investments property	(101.48)	-
Proceeds from sale of property, plant and equipment	43.61	0.85
Movement in other bank balances	166.06	1,881.34
Interest income received	108.78	215.14
<b>Net cash used in investing activities (B)</b>	<b>(9,370.82)</b>	<b>(8,442.37)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings, net	3,479.54	(11,143.58)
Proceeds from long-term borrowings	4,512.68	3,636.46
Repayment of long-term borrowings	(2,226.07)	(1,459.17)
Repayment of lease liability	(253.20)	(253.53)
Dividend paid	(384.90)	(256.60)
Interest on lease liability	(80.10)	(98.02)
Interest paid	(1,275.80)	(1,791.60)
<b>Net cash generated from financing activities (C)</b>	<b>3,772.15</b>	<b>(11,366.04)</b>
<b>Net decrease/(increase) in cash and cash equivalents during the year (A + B + C)</b>	<b>259.40</b>	<b>(872.24)</b>
Cash and cash equivalents at the beginning of the year	243.56	1,120.35
Effect of exchange rate changes on cash and cash equivalents	6.18	(4.55)
<b>Cash and cash equivalents at the end of the year (Note 1)</b>	<b>509.14</b>	<b>243.56</b>



# Consolidated Statement of Cash Flows

for the year ended March 31, 2022

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

## Note 1:

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Cash and cash equivalents includes</b>		
Balances with banks in current accounts	224.81	209.02
Balances with banks in cash credit accounts	282.23	31.36
Cash on hand	2.10	3.18
	<b>509.14</b>	<b>243.56</b>

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

As per our report of even date

For **MSKA & Associates**  
Chartered Accountants  
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**  
Partner  
Membership No: 214198

**Dr. D. R. Rao**  
Executive Chairman  
DIN 00107737

**D. Sucheth Rao**  
Vice Chairman and CEO  
DIN 00108880

**D. Saharsh Rao**  
Vice Chairman and Managing Director  
DIN 02753145

**Homi Rustam Khusrokhan**  
Independent Director  
DIN- 00005085

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: 10 May 2022

Place: Hyderabad  
Date: 10 May 2022

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 1. Corporate information

Neuland Laboratories Limited ("the Company") is a public limited company incorporated and domiciled in India. The Company's registered office is at 11th floor (5th level, Phoenix IVY III Building Plot No. 573A, Road Number 82, Jubilee Hills, Hyderabad 500033. The shares of the company are listed on two recognised stock exchanges of India viz. the National Stock Exchange of India Limited and BSE Limited. The Company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets.

The Board of Directors approved the consolidated financial statements for the year ended March 31, 2022 and authorised for issue on May 10, 2022.

## 2. Basis of preparation of consolidated financial statements

### Statement of Compliance with Ind AS

The consolidated financial statements of the Company along with its subsidiaries (together referred to as "Group") have been prepared in accordance with the Indian Accounting Standards ("Ind AS") as notified under Section 133 of the Companies Act 2013 ("the Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules 2015, as amended, issued by the Ministry of Corporate Affairs ('MCA').

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These consolidated financial statements have been prepared for the group as a going concern on the basis of relevant Ind AS that are effective at the group's annual reporting date 31 March 2022.

These consolidated financial statements have been prepared on the historical cost convention and on an accrual basis except for the following material items in the balance sheet:

- Certain financial assets and liabilities which are measured at fair value;
- Net defined benefit assets / (liability) are measured at fair value of plan assets, less present value of defined benefit obligations.

### Principles of consolidation

#### Subsidiary

Subsidiary is entity (including structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in full while preparing these consolidated financial statements.

#### Interest in the subsidiary

The following subsidiaries have been considered for the purpose of preparation of the consolidated financial statements:

Name of the subsidiary	Country of Incorporation	Percentage holding/ interest (%)	
		As at 31 March 2022	As at 31 March 2021
Neuland Laboratories Inc.	United States of America	100	100
Neuland Laboratories K.K	Japan	100	100

Principal activity of the subsidiary is providing marketing support services to Neuland Laboratories Limited (Parent Company).

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## (i) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the consolidated financial statements in the period in which changes are made and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

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

## (ii) Summary of significant accounting policies

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

### a. Functional currency

The consolidated financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the group. All financial information presented in Indian rupees has been rounded to the nearest lakhs, unless otherwise stated.

### b. Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the group's normal operating cycle and other criteria set out in the Division II – Ind AS Schedule III to the Act.

The group presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Current assets / liabilities include the current portion of non-current assets / liabilities respectively. All other assets / liabilities including deferred tax assets and liabilities are classified as non-current.

## c. Property, plant and equipment (PPE)

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, taxes (other than those subsequently recoverable from tax authorities), borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the group and the cost of item can be measured reliably. If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

An item of property, plant and equipment and any significant part initially recognised is 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 income statement when the asset is derecognised.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances. Capital work-in- progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date.

Depreciation on property, plant and equipment is calculated on pro-rata basis on straight-line method using the useful lives of the assets estimated by management. The useful life is as follows:

Asset	Useful Life (in years)
Buildings	25 & 30
Plant and equipment	7 to 20
Office equipment	2 to 5
Furniture and fixtures	2 to 10
Vehicles	4 & 8
Computers	3 & 6

Depreciation on additions / disposals is provided on a pro-rata basis i.e. from / upto the date on which asset is ready for use / disposed-off.

The useful lives are based on historical experience with similar assets as well as anticipation of future events. The residual values are not more than 5% of the original cost of the assets. The residual values, useful lives and method of depreciation of are reviewed at each financial year-end and adjusted prospectively, if appropriate.

## d. Leases :

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## Group as a lessee

The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

The Group recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. For leases with reasonably similar characteristics, the Group, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Group recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in statement of profit and loss.

The Group has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

## Group as a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Group is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

## e. Investment properties

Property that is held for long term rental yields or for capital appreciation or for both, and that is not occupied by the group, is classified as investment property. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

accumulated impairment loss, if any. When the use of a property changes from owner occupied to investment property, the property is reclassified as investment property at its carrying amount on the date of reclassification.

The useful life of investment property is estimated at 60yrs based on technical evaluation performed by management's expert

## f. Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in other comprehensive income and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## g. Other intangible assets

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment. These are derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from disposal of the intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the assets are disposed off.

Intangible assets are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The other intangible assets comprise of computer software expenditure and are amortized over a period of three years. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

## h. Impairment

### Impairment of non-financial assets

The carrying amounts of the group's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised in the statement of profit or loss if the estimated recoverable amount of an asset or its cash generating unit is lower than its carrying amount. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

## Impairment of financial assets

In accordance with Ind AS 109, the group applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on financial assets measured at amortised cost.

Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime expected credit losses. For all other financial assets, ECL are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL.

Loss allowance for financial assets measured at amortised cost are deducted from gross carrying amount of the assets.

## i. Financial instruments

### Initial Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value and, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

### Classification and subsequent measurement

#### Financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- fair value through other comprehensive income ("FVTOCI") – debt investment;
- FVTOCI – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the group changes its business model for managing financial assets.

#### Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Other Income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss.

## FVTOCI – debt investment

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the group recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method

## Equity investment

On initial recognition of an equity investment that is not held for trading, the group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVTOCI – equity investment). This election is made on an investment by- investment basis.

If the group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, including foreign exchange gain or loss and excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to profit or loss, even on sale of investment. However, the group may transfer the cumulative gain or loss within equity. Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit or loss.

## FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss. Any gain or loss on derecognition is also recognised in statement of profit or loss.

## De-recognition

### Financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the group has transferred its rights to receive cash flows from the asset.



# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## Derivative financial instruments and hedge accounting

The group uses derivative financial instruments such as forward exchange contracts and interest rate risk exposures to hedge its risk associated with foreign currency fluctuations and changes in interest rates. Derivatives are initially measured at fair value and subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of profit or loss, since the group's hedging instruments did not qualify for hedge accounting in accordance with the Ind-AS 39. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

## Cash and cash equivalents

Cash and cash 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, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposit held at call with financial institutions, other short - term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Other income - Dividend income

Dividend income is recognised when the group's right to receive the payment is established, which is generally, when shareholders approve the dividend.

## j. Inventories

### Basis of valuation:

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of engineering spares (such as machinery spare parts) and consumables or consumed as indirect materials in the manufacturing process.

### Method of Valuation:

The Cost of raw materials, stores and consumables has been determined by using weighted average cost method and comprises all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventories to their present location and condition.

The Cost of finished goods and work-in-progress includes direct labour and an appropriate share of fixed and variable production overheads and excise duty as applicable. Fixed production overheads are allocated on the basis of normal capacity of production facilities. Cost is determined on weighted average basis.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

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

## k. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are translated into the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the fair value was measured.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise

## l. Revenue recognition

Revenue from contract with customers

The group derives revenues primarily from sale of active pharmaceutical ingredients and contract research services. Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration the group expects to receive in exchange for those products or services.

The group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- i. the customer simultaneously receives and consumes the benefits provided by the group's performance as the group performs; or
- ii. the group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii. the group's performance does not create an asset with an alternative use to the group and an entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue in excess of invoicing are classified as contract asset while collections in excess of revenues are classified as contract liabilities.

In respect of contracts involving bill-and-hold arrangements, the group determines whether the control of the underlying products have been transferred to the customer. For the purpose of determining whether such control is transferred, the entity considers the following requirements as required by Ind AS 115:

- i. The reason for the bill-and-hold arrangement is substantive (i.e. the physical possession with the entity is pursuant to the customer's explicit request);
- ii. The product is separately identified as belonging to the customer;
- iii. The product is ready for physical transfer to the customer; and
- iv. The entity does not have the ability to use the product or to direct it to another customer.

The entity recognizes revenue in respect of bill-and-hold arrangements only when all of the aforementioned requirements are met. Further, at the time of such recognition, the entity also determines whether there are any material

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

unsatisfied performance obligations and determines the portion of the aggregate consideration, if any, that needs to be allocated and deferred.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

## Other operating revenue - Export incentives

Export Incentives under various schemes are recognised in the year of export in accordance with their respective underlying scheme at fair value of consideration received or receivable.

## Other income - Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

## Other income - Dividend income

Dividend income is recognised when the group's right to receive the payment is established, which is generally, when shareholders approve the dividend.

## m. Borrowing costs

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

## n. Retirement and other employee benefits

Defined contribution plan

The group's contributions to defined contribution plans are recognised as an expense as and when the services are received from the employees entitling them to the contributions.

Defined benefit plan

The liability in respect of defined benefit plans is calculated using the projected unit credit method with actuarial valuations being carried out at the end of each annual reporting period. The group recognises the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through remeasurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The effect of any plan amendments are recognised in the statement of profit and loss.

## o. Government grants

The group recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in-relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to reimbursement of expenses incurred are recognized in statement of profit and loss as other income.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## p. Taxes

Tax expense recognized in statement of profit or loss consists of current and deferred tax except to the extent that it relates to items recognised in OCI or directly in equity, in which case it is recognised in OCI or directly in equity respectively.

Current income tax, assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) enacted in India by using tax rates and the tax laws that are enacted at the reporting date. Current tax assets and tax liabilities are offset where the group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off corresponding current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the group.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the group and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

## q. Research and development expense

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as expense when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if:

- The product or the process is technically and commercially feasible;
- Future economic benefits are probable and ascertainable;
- The group intends to and has sufficient resources, technical and financial, to complete development of the product and has the ability to use or sell the asset; and
- Development costs can be measured reliably.

Where the aforementioned criteria are not met, the expenditure is transferred to statement of profit and loss.

## r. Provisions, contingent liabilities and contingent assets

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the group; or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

**s. Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential ordinary shares

**(iii) Standards (including amendments) issued but not yet effective**

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2022.

**Standards that became effective during the year**

There are no new Standards that became effective during the year.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 3 (a) Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Office equipment	Furniture and fixtures	Vehicles	Computers	Total
<b>Gross carrying value (at deemed cost)</b>								
As at 1 April 2020	1,074.28	12,052.94	27,881.73	62.03	167.56	723.77	616.38	42,578.69
Additions	-	1,695.67	7,824.30	17.51	53.26	203.75	186.33	9,980.82
Disposals/retirement	-	-	(127.02)	(0.40)	-	(68.68)	(3.26)	(199.36)
<b>Balance as at 31 March 2021</b>	<b>1,074.28</b>	<b>13,748.61</b>	<b>35,579.01</b>	<b>79.14</b>	<b>220.82</b>	<b>858.84</b>	<b>799.45</b>	<b>52,360.15</b>
Additions	-	3,572.81	5,781.40	168.46	168.53	284.89	193.00	10,169.09
Disposals/retirement	-	(104.04)	(516.91)	(28.84)	(2.81)	(139.94)	(72.46)	865.00
<b>Balance as at 31 March 2022</b>	<b>1,074.28</b>	<b>17,217.38</b>	<b>40,843.50</b>	<b>218.76</b>	<b>386.54</b>	<b>1,003.79</b>	<b>919.99</b>	<b>61,664.24</b>
<b>Accumulated depreciation</b>								
Upto 1 April 2020	-	1,216.97	6,989.04	25.80	45.97	262.58	288.74	8,829.10
Charge for the year	-	507.40	2,680.68	11.05	19.39	186.69	123.56	3,528.77
Adjustments for disposals/retirement	-	-	(115.04)	(0.36)	-	(52.67)	(3.10)	(171.17)
<b>Balance as at 31 March 2021</b>	<b>-</b>	<b>1,724.37</b>	<b>9,554.68</b>	<b>36.49</b>	<b>65.36</b>	<b>396.60</b>	<b>409.20</b>	<b>12,186.70</b>
Charge for the year	-	638.81	3,408.19	34.72	32.45	160.05	130.80	4,405.02
Adjustments for disposals/retirement	-	(10.51)	(435.01)	(26.87)	(2.63)	(96.73)	(67.96)	(639.71)
<b>Balance as at 31 March 2022</b>	<b>-</b>	<b>2,352.67</b>	<b>12,527.86</b>	<b>44.34</b>	<b>95.18</b>	<b>459.92</b>	<b>472.04</b>	<b>15,952.01</b>
<b>Net carrying value as at 31 March 2021</b>	<b>1,074.28</b>	<b>12,024.24</b>	<b>26,024.33</b>	<b>42.65</b>	<b>155.46</b>	<b>462.24</b>	<b>390.25</b>	<b>40,173.45</b>
<b>Net carrying value as at 31 March 2022</b>	<b>1,074.28</b>	<b>14,864.71</b>	<b>28,315.64</b>	<b>174.42</b>	<b>291.36</b>	<b>543.87</b>	<b>447.95</b>	<b>45,712.23</b>

Note:

- Free hold land includes land aggregating to ₹3.30, are held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in note: 41(d).
- Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings
- Refer note 42 for details of expenditure during construction period transferred from capital work-in-progress to property, plant and equipment.
- Depreciation and amortisation expenses as per Statement of Profit & Loss includes ₹324.69 towards depreciation on Right to use assets & ₹26.23 towards amortisation of Investment Property

Relevant line in the Balance Sheet	Description of item of property	Gross carrying amount	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter / director or employee of promoter/director	Property held since which date	Reason for not being held in the name of Company
Property, plant and equipment	Freehold land	3.3	Neuland Health Sciences Pvt limited (NHSPL)	No	30th May 2005	NHSPL got merged with Neuland laboratories Limited, it is because of the dispute referred in note 41(d), the title deed is pending to be transferred in the name of Company

\*The property was held by NHSPL since 30th May 2005 and became part of Company's PPE on merger of NHSPL with the Company.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 3 (b) Capital-Work-in Progress (CWIP)

### (i) For Capital-work-in progress ageing schedule

31 March 2022

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	1,972.45	73.26	-	-	2,045.71

31 March 2021

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	1,196.36	260.11	268.55	-	1,725.02

### (ii) In case of the following projects (CWIP), where completion is overdue or has exceeded its cost compared to its original plan:

31 March 2022

CWIP	Amount in CWIP for a period of			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
<b>Projects in progress</b>				
Environment, Health & Safety	1,106.07	-	-	-
Manufacturing capacities and infra	306.65	-	-	-
R&D labs and infrastructure	48.45	-	-	-
QC lab modification	30.77	17.62	-	-
Admin related project	9.26	-	-	-
<b>Total</b>	<b>1,501.20</b>	<b>17.62</b>	-	-
<b>Previous Year</b>	<b>499.31</b>	<b>887.52</b>	-	-

## 4. Other intangible assets

	Computer Software
<b>Gross carrying value (at deemed cost)</b>	
As at 1 April 2020	523.73
Additions	282.48
<b>Balance as at 31 March 2021</b>	<b>806.21</b>
Additions	10.36
<b>Balance as at 31 March 2022</b>	<b>816.58</b>
<b>Accumulated amortization</b>	
Upto 1 April 2020	327.97
Charge for the year	128.49
<b>Balance as at 31 March 2021</b>	<b>456.46</b>
Charge for the year	148.09
<b>Balance as at 31 March 2022</b>	<b>604.56</b>
<b>Net carrying value as at 31 March 2021</b>	<b>349.75</b>
<b>Net carrying value as at 31 March 2022</b>	<b>212.02</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 5. Investments

	As at 31 March 2022	As at 31 March 2021
<b>Non-current</b>		
<b>Investments in unquoted equity shares (fully paid up, unless stated otherwise)</b>		
In others (carried at fair value through profit and loss)		
2,200 (31 March 2021: 2,200) equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited	2.20	2.20
209,136 (31 March 2021: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited	20.91	20.91
<b>Investments in unquoted government securities (carried at fair value through profit and loss)</b>	1.61	1.61
<b>Investment in quoted mutual funds (carried at at fair value through other comprehensive income)</b>		
100,000 (31 March 2021: 100,000) units of ₹10 each in SBI Mutual Fund	25.02	19.28
<b>Total non-current investments</b>	<b>49.74</b>	<b>44.00</b>
Aggregate value of unquoted investments	24.72	24.72
Aggregate value of quoted investments	25.02	19.28
Aggregate amount of impairment in value of investments	-	-
<b>Current</b>		
<b>Investment in other at FVTOCI</b>		
402,000 (31 March 2021: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	337.68	645.57
<b>Note:</b>		
Aggregate value of unquoted investments	337.68	645.57
Aggregate value of quoted investments	-	-
Change in fair value of the investments during the year	(307.89)	(104.43)
Aggregate amount of impairment in the value of investments	412.32	104.43

## 6. Other financial assets

	As at 31 March 2022	As at 31 March 2021
(Unsecured, considered good)		
<b>Non-current</b>		
Security deposits	586.24	584.04
	<b>586.24</b>	<b>584.04</b>
<b>Current</b>		
Interest accrued on bank deposits	7.28	16.56
Unbilled revenue	363.70	292.75
Derivative instruments at fair value through profit or loss	58.65	-
	<b>429.63</b>	<b>309.31</b>



# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 7. Other assets

	As at 31 March 2022	As at 31 March 2021
<b>(Unsecured, considered good)</b>		
<b>Non-current</b>		
Capital Advances	121.82	1,204.73
Balances with government authorities	16.86	1,772.43
	<b>138.68</b>	<b>2,977.16</b>
<b>Current</b>		
Prepaid expenses	741.62	717.48
Balances with government authorities	2,714.79	2,661.39
Advance to suppliers	1,499.27	1,310.17
Export benefits receivable	344.35	149.99
Other advances	220.65	690.80
	<b>5,520.68</b>	<b>5,529.83</b>

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

	As at 31 March 2022	As at 31 March 2021
Raw materials [including goods in transit of ₹2153.43 (31 March 2021: ₹1,346.73)]	7,764.88	7,857.31
Work-in-progress	11,940.95	10,763.26
Finished goods	5,266.74	4,902.96
Stores and consumables	1,548.44	1,237.24
	<b>26,521.01</b>	<b>24,760.77</b>

## 9. Trade receivables

	As at 31 March 2022	As at 31 March 2021
Trade receivables considered good - unsecured	23,432.64	21,773.31
Trade receivables which have significant increase in credit risk	420.56	337.31
	<b>23,853.20</b>	<b>22,110.62</b>
Less: Loss allowance for doubtful receivables	(420.56)	(337.31)
	<b>23,432.64</b>	<b>21,773.31</b>

1. No trade receivables are due from any related parties including directors or other officers of the Company either severally or jointly with any other person.

2. Refer note 32 for the Company's credit risk management process

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 31 March 2022

Particulars	Not Due	Outstanding for following periods from due date of Receipts					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	18,620.71	4,762.66	30.37	18.90	-	-	23,432.64
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	37.73	19.26	2.63	125.84	59.48	175.62	420.56
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed Trade Receivables – considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Less: Allowance for bad and doubtful debts (Disputed + Undisputed)	37.73	19.26	2.63	125.84	59.48	175.62	420.56
	<b>18,620.71</b>	<b>4,762.66</b>	<b>30.37</b>	<b>18.90</b>	-	-	<b>23,432.64</b>

## 31 March 2021

Particulars	Not Due	Outstanding for following periods from due date of Receipts					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	15,756.52	5,592.59	423.79	0.41	-	-	21,773.31
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	6.69	2.52	87.26	240.84	-	337.31
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
(iv) Disputed Trade Receivables – considered good	-	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Less: Allowance for bad and doubtful debts (Disputed + Undisputed)	-	6.69	2.52	87.26	240.84	-	337.31
	<b>15,756.52</b>	<b>5,592.59</b>	<b>423.79</b>	<b>0.41</b>	-	-	<b>21,773.31</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## Movement in the expected credit loss allowance

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Balance at the beginning of the year	337.31	805.40
Allowance for expected credit loss (net)	83.25	354.61
Bad debts written off during the year	-	(822.70)
<b>Balance at the end of the year</b>	<b>420.56</b>	<b>337.31</b>

## 10. Cash and cash equivalents

	As at 31 March 2022	As at 31 March 2021
<b>Balance with banks:</b>		
in current accounts	224.81	209.02
in cash credit accounts	282.23	31.36
Cash on hand	2.10	3.18
	<b>509.14</b>	<b>243.56</b>

## 11. Bank balances other than cash and cash equivalents

	As at 31 March 2022	As at 31 March 2021
Unpaid dividend account	9.62	13.12
Fixed Deposits	1,517.19	1,683.25
	<b>1,526.81</b>	<b>1,696.37</b>

\* Includes deposits amounting to ₹1,517.19 (31 March 2021: ₹1517.25) held as margin money/commitment with the banks.

## 12. Equity share capital

	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
<b>Authorized share capital</b>				
Equity shares of ₹10 each	4,40,00,000	4,400.00	4,40,00,000	4,400.00
<b>Issued share capital</b>				
Equity shares of ₹10 each	1,30,23,434	1,302.34	1,30,23,434	1,302.34
<b>Subscribed share capital</b>				
Equity shares of ₹10 each	1,29,33,165	1,293.32	1,29,33,165	1,293.32
<b>Fully paid-up share capital</b>				
Equity shares of ₹10 each	1,28,29,889	1,282.99	1,28,29,889	1,282.99
Add: Forfeited equity shares of ₹10 each	1,03,276	7.06	103,276	7.06
		<b>1,290.05</b>		<b>1,290.05</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

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

	As at 31 March 2022		As at 31 March 2021	
	Number	Amount	Number	Amount
<b>Equity shares</b>				
Balance at the beginning of the year	1,28,29,889	1,282.99	1,28,29,889	1,282.99
Add: Issued during the year	-	-	-	-
<b>Balance at the end of the year</b>	<b>1,28,29,889</b>	<b>1,282.99</b>	<b>1,28,29,889</b>	<b>1,282.99</b>

## ii. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to prior consent from consortium and approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

## iii. Details of shareholders holding more than 5% equity shares in the Company

Name of the equity shareholders	As at 31 March 2022		As at 31 March 2021	
	Number	holding	Number	holding
Dr. D R Rao	32,03,474	24.97%	32,03,474	24.97%
Malabar India Fund Limited	12,77,096	9.95%	12,77,096	9.95%

## iv. Details of Shares held by Promoters at the end of the year

S. No	Promoter name	31 March 2022			31 March 2021		
		No. of Shares	% of total shares	% Change during the year	No. of Shares	% of total shares	% Change during the year
1	Davuluri Rama Mohan Rao	32,03,474	24.97	-	32,03,474	24.97	-
2	Davuluri Vijaya Rao ^	6,13,338	4.78	-	6,13,338	4.78	-
3	Sucheth Rao Davuluri	3,37,542	2.63	-	3,37,542	2.63	2.9
4	Davuluri Saharsh Rao	2,53,587	1.98	0.039	2,53,487	1.98	-
5	Davuluri Rohini Niveditha Rao ^	85,780	0.67	-	85,780	0.67	-47.5
6	Gannabathula Venkata Krishna Rama Rao	41,717	0.33	-	41,717	0.33	-8.2
7	Gannabathula Veeravenkata Satyanarayanamurthy ^	27,351	0.21	-	27,351	0.21	-10.3
8	Gannabathula Uma Bala ^	6,409	0.05	-	6,409	0.05	-
9	Usha Rani Reddy Chevalla ^	77,634	0.61	-	77,634	0.61	100.0
10	Velugubanti S Prasadarao ^	100	-	-	100	-	-
11	Suryanarayana M Siram ^	100	-	-	100	-	-
	<b>Total</b>	<b>4,647,032</b>	<b>36.23</b>	<b>0.039</b>	<b>4,646,932</b>	<b>36.23</b>	<b>0.1</b>

^ Part of Promoter Group

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 13. Other equity

	As at 31 March 2022	As at 31 March 2021
<b>Reserves and surplus</b>		
Capital reserve	3.32	3.32
Securities premium	49,777.35	49,777.35
General reserve	2,789.65	2,789.65
Revaluation reserve	83.89	83.89
Retained earnings	30,813.17	24,815.87
<b>Total reserves and surplus</b>	<b>83,467.38</b>	<b>77,470.08</b>
<b>Other comprehensive income</b>		
FVOCI - Equity instruments, net of taxes	(358.24)	(56.08)
Foreign currency translation reserve	63.12	56.94
Remeasurement of defined benefit plan, net of taxes	(412.23)	(115.22)
<b>Total Other comprehensive income</b>	<b>(707.35)</b>	<b>(114.36)</b>
	<b>82,760.03</b>	<b>77,355.72</b>

### Nature and purpose of reserves

#### Capital reserve

Capital reserve was created on account of merger of Neuland Drugs & Pharmaceuticals Private Limited with the Company. The Company uses capital reserve for transactions in accordance with the provisions of the Act.

#### Securities premium

The amount received in excess of face value of the equity shares is recognised in securities premium. In case of equity-settled share based payment transactions, the difference between fair value on grant date and face value of share is accounted as securities premium. This reserve is utilised in accordance with the provisions of the Act.

#### General reserve

General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes.

#### Revaluation reserve

Revaluation reserve was created on account of revaluation of certain property, plant and equipment during the earlier years.

#### FVOCI equity instruments

The Company has elected to recognise the change in fair value of certain investments in other comprehensive income. These changes are accumulated within the FVOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

#### Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

#### Remeasurement of defined benefit plan

The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit obligations of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to statement of profit or loss.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 14. Borrowings

	As at 31 March 2022	As at 31 March 2021
<b>Non-current</b>		
<b>Secured</b>		
<b>Term loans</b>		
From banks	13,452.30	11,005.62
<b>Other loans</b>		
From banks	74.29	106.52
From other parties	346.55	206.95
	<b>13,873.14</b>	<b>11,319.09</b>
Less: Current maturities of long-term borrowings	3,448.35	2,505.83
	<b>10,424.79</b>	<b>8,813.26</b>

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

Loan	Outstanding Amount as at 31/03/2022	Outstanding Amount as at 31/03/2021	Number of instalments	Repayment start date
Term Loan 1	2,406.43	3,048.14	28/ Quarterly	March'19
Term Loan 2	1,339.29	1,696.43	28/ Quarterly	April'19
Term Loan 3	2,220.20	2,782.94	17/ Quarterly	January'21
Term Loan 4	3,135.54	3,478.11	20/ Quarterly	Oct'21
Term Loan 5	4,350.84	-	20/ Quarterly	June'22

- (i) The above loans are secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. The term loans of 1 & 3 from banks are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao.
- (ii) Vehicles loans outstanding to the tune of ₹420.84 (31 March 2021: ₹313.47) are secured by hypothecation of specific vehicles against which the loan was availed. Vehicle loans are repayable in instalments ranging from 35 to 59 months from the date of the loan.
- (iii) All the above loans carry interest in the range of 1.8% to 8.5% per annum as at 31 March 2022 (31 March 2021: 7.55% to 9.85% per annum).
- (iv) Details of repayment of non-current borrowings

	As at 31 March 2022	As at 31 March 2021
Up to 1 year	3,448.35	2,505.83
From 1 to 3 years	6,827.10	4,938.37
3 years and above	3,597.69	3,874.89
	<b>13,873.14</b>	<b>11,319.09</b>

	As at 31 March 2022	As at 31 March 2021
<b>Current</b>		
Current maturities of long-term borrowings	3,448.35	2,505.83
Secured loans from banks	9,221.47	5,698.44
	<b>12,669.82</b>	<b>8,204.27</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

- (i) Loans outstanding represent packing credit and working capital demand facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 0.70% to 8.5% per annum (31 March 2021: 0.70% to 9.90% per annum).
- (ii) The above loans with all working capital lenders are secured by way of pari-passu first charge on all the current assets of the Company and pari-passu second charge on Company's property, plant and equipment. All of the above working capital loans are also secured by way of personal guarantees extended by Dr. Davuluri Rama Mohan Rao and Davuluri Sucheth Rao in favour of the working capital lenders.
- (iii) The quarterly returns submitted with banks are in agreement of the books of accounts

## 15. Provisions

	As at 31 March 2022	As at 31 March 2021
<b>Non-current</b>		
Gratuity (refer note a)	869.23	686.10
Compensated absences	322.20	257.79
	<b>1,191.43</b>	<b>943.89</b>
<b>Current</b>		
Compensated absences	121.31	64.26
	<b>121.31</b>	<b>64.26</b>

### (a) Gratuity

The Company has a defined benefit funded gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC) & Kotak Gratuity Group Plan. Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes up to a maximum limit of ₹20.

The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

	As at 31 March 2022	As at 31 March 2021
<b>(i) Change in projected benefit obligation</b>		
Projected benefit obligation at the beginning of the year	1,303.05	1,230.16
Service cost	144.48	120.14
Interest cost	81.22	74.12
Actuarial (gain) / loss	368.81	55.97
Benefits paid	(169.32)	(177.34)
Projected benefit obligation at the end of the year	<b>1,728.24</b>	<b>1,303.05</b>
<b>(ii) Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	616.95	27.08
Value adjustment	(31.74)	(1.48)
Expected return on plan assets	43.13	1.83
Employer contributions	407.52	775.41
Benefits paid	(176.85)	(185.89)
Fair value of plan assets at the end of the year	<b>859.01</b>	<b>616.95</b>
<b>(iii) Reconciliation of present value of obligation on the fair value of plan assets</b>		

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

	As at 31 March 2022	As at 31 March 2021
Present value of projected benefit obligation at the end of the year	1,728.24	1,303.05
Funded status of the plans	(859.01)	(616.95)
Net liability recognised in the balance sheet	<b>869.23</b>	<b>686.10</b>
<b>(iv) Expense recognized in the statement of profit and loss</b>		
Service cost	144.48	120.14
Interest cost	81.22	74.12
Expected returns on plan assets	(43.13)	(1.83)
Net gratuity costs	<b>182.57</b>	<b>192.43</b>
<b>(v) Expense recognized in OCI</b>		
Recognized net actuarial (gain)/ loss	396.90	57.45
	<b>396.90</b>	<b>57.45</b>
<b>(v) Key actuarial assumptions</b>		
Financial assumptions		
Discount rate	6.33%	6.86%
Expected return on plan assets	6.86%	6.75%
Withdrawal Rate	Service Based: <5 years : 30% >= 5 years : 15%	4.00%
Salary escalation rate	7.00%	4.00%
<b>Demographic assumptions</b>		
Mortality rate as per Indian Assured Lives Mortality 2012-14 table		
<b>(vi) Sensitivity Analysis</b>		
Projected defined benefit obligation	1,681.97	1,268.80
Discount rate + 100 basis points	1,615.84	1,196.56
Discount rate - 100 basis points	1,753.96	1,364.95
Salary increase rate + 100 basis points	1,745.12	1,363.59
Salary increase rate - 100 basis points	1,621.60	1,195.91
<b>(vii) Maturity analysis of projected benefit obligation</b>		
1 year	347.61	152.27
2 to 5 years	762.06	420.29
6 to 10 years	419.39	553.44
More than 10 years	152.91	135.97

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and salary escalation rate. The calculation of the net defined benefit liability is sensitive to these assumptions. Sensitivity to these factors is disclosed above.



# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 16. Deferred tax liabilities (net)

	As at 31 March 2022	As at 31 March 2021
<b>Deferred tax liabilities arising on account of :</b>		
Property, plant and equipment and goodwill	7,243.95	6,942.01
Others	98.71	82.91
<b>Deferred tax assets arising on account of :</b>		
Employee benefits	(528.78)	(518.19)
Provision for trade receivables and advances	(105.71)	(90.61)
Investment properties	(1,038.24)	(440.44)
<b>Deferred tax liabilities (net)</b>	<b>5,669.94</b>	<b>5,975.68</b>

- (a) In assessing whether the deferred tax assets will be realised, management considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of the deferred income tax assets in the nature of business loss carry forward is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realise the benefits of those recognised deductible difference of business loss carry forward. Recoverability of deferred tax assets is based on estimates of future taxable income and any changes in such future taxable income would impact the recoverability of deferred tax assets. However, management believes that any reasonable possible change in the key assumptions would not effect the Company's ability to recover the deferred tax asset

## 17. Other liabilities

	As at 31 March 2022	As at 31 March 2021
<b>Non-current</b>		
Advance from customers	-	3.00
Security deposit received	2.98	287.47
	<b>2.98</b>	<b>290.47</b>
<b>Current</b>		
Advance from customers	6,322.15	6,360.72
Statutory liabilities	362.31	287.21
	<b>6,684.46</b>	<b>6,647.93</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 18. Trade payables

	As at 31 March 2022	As at 31 March 2021
Total outstanding dues of micro enterprises and small enterprises	1,621.11	856.79
Total outstanding dues of creditors other than micro enterprises and small enterprises	9,605.67	14,356.66
	<b>11,226.78</b>	<b>15,213.45</b>

Note:

- Refer note 32 for the Company's liquidity risk management process
- The Micro and Small Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors. Details of dues to such parties are given below:

	As at 31 March 2022	As at 31 March 2021
The principal amount remaining unpaid as at the end of the year	1,621.11	856.79
The amount of interest accrued and remaining unpaid at the end of the year	1.61	8.90
Amount of interest paid by the company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year.	-	-
Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006)	-	-
The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006)	-	-

31 March 2022		Current					
Particulars	Payables Not Due	Outstanding for following periods from due date of Payment				Total	
		Less than 1 year	1-2 years	2-3 years	More than 3 years		
(i) MSME	832.93	679.30	91.40	1.89	15.59	1,621.11	
(ii) Disputed dues – MSME	-	-	-	-	-	-	
(iii) Others	5,934.18	3,326.63	36.01	70.30	238.55	9,605.67	
(iv) Disputed dues - Others	-	-	-	-	-	-	
	<b>6,767.11</b>	<b>4,005.93</b>	<b>127.41</b>	<b>72.19</b>	<b>254.14</b>	<b>11,226.78</b>	

31 March 2021		Current					
Particulars	Payables Not Due	Outstanding for following periods from due date of Payment				Total	
		Less than 1 year	1-2 years	2-3 years	More than 3 years		
(i) MSME	747.37	108.50	0.92	-	-	856.79	
(ii) Disputed dues – MSME	-	-	-	-	-	-	
(iii) Others	10,229.60	3,678.86	187.22	113.47	147.51	14,356.66	
(iv) Disputed dues - Others	-	-	-	-	-	-	
	<b>10,976.97</b>	<b>3,787.36</b>	<b>188.14</b>	<b>113.47</b>	<b>147.51</b>	<b>15,213.45</b>	

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 19. Other financial liabilities

	As at 31 March 2022	As at 31 March 2021
<b>Current</b>		
Interest accrued but not due on borrowings	33.21	39.60
Unclaimed dividends	11.98	13.16
Creditors for capital goods	796.66	1,148.96
Employee related liabilities	835.06	1,133.96
Accrual for expenses	3,160.21	3,284.45
Others	511.54	847.86
	<b>5,348.66</b>	<b>6,467.99</b>

## 20. Revenue from operations

	For the year ended 31 March 2022	For the year ended 31 March 2021
Sale of products	88,738.27	88,125.24
Sale of services	3,595.14	3,692.43
<b>Other operating revenue</b>		
Sale of impurities	196.89	253.49
Export incentives	1,660.66	1,264.79
Scrap sales	916.70	355.36
	<b>95,107.66</b>	<b>93,691.31</b>

Revenue disaggregation as per geography has been included in segment information (Refer note 38).

## Unsatisfied performance obligations

The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations in case of contracts for which revenues are recorded over a period of time is ₹944.98, which is expected to be fully recognised as revenue in the next year. No consideration from contracts with customers is excluded from the amount mentioned above and contract asset relating to partially satisfied performance obligations aggregates to ₹363.70 as at 31 March 2022 (31 March 2021: ₹ 292.75)

## 21. Other income

	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest income	99.50	166.75
Incentive under market access initiative scheme	59.92	5.59
Profit on sale of Investment in Properties (net)	-	1,309.25
Other non-operating income	48.26	127.92
	<b>207.68</b>	<b>1,609.51</b>

## 22. Cost of raw materials consumed

	For the year ended 31 March 2022	For the year ended 31 March 2021
Raw material and packing material at the beginning of the year	7,857.31	5,500.27
Add: Purchases during the year*	43,662.93	46,322.74
Less: Raw material and packing material at the end of the year	7,764.88	7,857.31
	<b>43,755.36</b>	<b>43,965.70</b>

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

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 23. Changes in inventories of finished goods and work-in-progress

	For the year ended 31 March 2022	For the year ended 31 March 2021
Opening stock		
- Finished goods	4,902.96	4,525.47
- Work-in-progress	10,763.26	11,016.30
	<b>15,666.22</b>	<b>15,541.77</b>
Closing balance		
- Finished goods	5,266.74	4,902.96
- Work-in-progress	11,940.95	10,763.26
	<b>17,207.69</b>	<b>15,666.22</b>
	<b>(1,541.47)</b>	<b>(124.45)</b>

## 24. Employee benefits expense

	For the year ended 31 March 2022	For the year ended 31 March 2021
Salaries, wages and bonus	16,206.11	13,285.74
Contribution to provident and other funds (refer note (a) below)	727.32	568.98
Gratuity expense	182.57	192.43
Compensated absences expense	224.32	141.24
Staff welfare expenses	906.91	785.28
	<b>18,247.23</b>	<b>14,973.67</b>

- (a) During the year ended 31 March 2022, the Company contributed ₹667.00 (31 March 2021: ₹514.96) to provident fund and ₹22.97 (31 March 2021: ₹22.64) towards employee state insurance fund

## 25. Finance costs

	For the year ended 31 March 2022	For the year ended 31 March 2021
Interest expense	873.24	1,296.20
Interest on operating lease liabilities	80.11	98.02
Other borrowing costs	396.16	509.78
	<b>1,349.51</b>	<b>1,904.00</b>
Less: Borrowing costs capitalized *	-	(114.17)
	<b>1,349.51</b>	<b>1,789.83</b>

\* The Company has not capitalised any borrowing costs in FY22. The rate for capitalisation of borrowing cost was approximately 9.47% in FY21

## 26. Depreciation and amortisation expense

	For the year ended 31 March 2022	For the year ended 31 March 2021
Depreciation on property, plant and equipment	4,405.02	3,528.77
Depreciation on right-of-assets	324.68	310.99
Depreciation on investment property	26.23	-
Amortisation of intangible assets	148.09	128.49
	<b>4,904.02</b>	<b>3,968.26</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 27. Manufacturing expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
Consumption of stores and spare parts	4,731.96	4,011.36
Power and fuel	4,220.75	3,920.73
Carriage inwards	148.02	164.79
Repairs and maintenance		
- Buildings	415.69	397.45
- Plant and equipment	932.04	774.79
- Others	1,276.14	1,101.09
Effluent treatment charges and testing charges	987.66	921.66
Consumption of packing material	424.05	338.77
	<b>13,136.31</b>	<b>11,630.64</b>

## 28. Other expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
Rent	71.32	71.42
Corporate Social Responsibility ('CSR') expenditure (refer note ii below)	116.84	88.02
Rates and taxes	948.99	1,743.44
Travelling and conveyance	926.47	669.35
Legal and professional fees (refer note i below)	1,122.11	935.47
Insurance	447.15	413.45
Advertisement and subscription expense	687.36	645.08
Sales promotion expenses including commission*	886.04	1,801.19
Freight and forwarding charges	1,166.79	1,016.96
Provision for doubtful debts and advances, net	56.79	385.33
Foreign exchange loss, net	10.22	216.73
Loss on sale of assets, net	180.81	27.34
Directors commission	35.00	35.00
Sitting fees	29.40	24.90
Miscellaneous expenses	562.84	490.14
	<b>7,248.13</b>	<b>8,563.82</b>

\* includes an amount of ₹ 955 lakhs towards settlement of international taxation litigation under Vivad Se Vishwas Scheme in FY 21

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

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>As auditor:</b>		
- Audit fee, including tax audit	35.00	30.00
- Certifications	5.05	5.75
- Reimbursement of expenses	0.15	0.66
	<b>40.20</b>	<b>36.41</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## (ii) Details of CSR expenditure :

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The Company has a CSR committee as per the Act. The funds were primarily utilized through the year on skill building, covid support activities etc pursuant to Schedule VII of the Companies Act, 2013. Total expenditure incurred on Corporate Social Responsibility (CSR) activities during the year ended March 31, 2022 is ₹ 116.84 lakhs (March 31, 2021 is ₹ 88.02 lakhs). The Company has availed a set-off of ₹ 12.06 lakhs out of excess amount of ₹ 17.10 Lakhs spent during the financial year ended March 31, 2021 and considering the same, the cumulative spend for the financial year ended March 31, 2022 is considered at ₹ 128.90 Lakhs

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
a) Amount required to be spent by the Company during the year	128.90	70.92
b) Amount of expenditure incurred on purpose other than construction/ acquisition of any asset	116.84	88.02
c) Excess spend of prior years set off during the year	12.06	-
d) Shortfall at the end of the year [(d)=(a)-(b)-(c)]	-	-

## 29. Income tax

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Income tax expense recognised in the statement of profit and loss consists of the following:</b>		
Current income tax	2,042.90	1,255.73
Deferred tax expense / (benefit)	(208.85)	1,214.55
<b>Total tax expense for the year</b>	<b>1,834.05</b>	<b>2,470.28</b>

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (31 March 2021: 25.17%) and the reported tax expense in the statement of profit and loss is as follows:

### Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

	For the year ended 31 March 2022	For the year ended 31 March 2021
Profit before tax	8,216.25	10,533.35
Tax rate applicable to the Company	25.17%	25.17%
Estimated tax expense on profit <sup>^</sup>	2,067.80	2,626.58
<b>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</b>		
Earlier year impact	(311.71)	(191.81)
Chapter VI A deduction	(20.39)	-
Impact of foreign taxes	2.83	(5.79)
Expenses disallowed	74.91	29.03
Others	20.61	12.27
<b>Income tax expense</b>	<b>1,834.05</b>	<b>2,470.28</b>

<sup>^</sup> Estimated tax expenses includes tax on Capital Gains at rates different than the tax rate of 25.17%

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 30. Earnings per share (EPS)

	For the year ended 31 March 2022	For the year ended 31 March 2021
(a) Profit attributable to equity shareholders	6,382.20	8,063.07
(b) Computation of weighted average number of equity shares:		
Weighted average number of equity shares outstanding during the year	1,28,29,889	1,28,29,889
(c) Earnings per equity share (in absolute ₹) :		
Basic	49.74	62.85
Diluted	49.74	62.85

## 31. Fair value measurements

### (i) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data either directly or indirectly.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### (ii) Financial assets and financial liabilities measured at fair value

	31 March 2022		31 March 2021	
	Level 1	Level 2	Level 1	Level 2
Financial assets / (liabilities)				
Investments	25.02	362.40	19.28	670.29
Derivatives - Forward contracts	58.65	-	-	-

### (iii) Financial instruments by category

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

	31 March 2022			31 March 2021		
	FVTPL	FVTOCI	Amortised cost	FVTPL	FVTOCI	Amortised cost
<b>Financial assets</b>						
Investments	24.72	362.70	-	24.72	664.85	-
Trade receivables	-	-	23,432.64	-	-	21,773.31
Cash and cash equivalents	-	-	509.14	-	-	243.56
Other bank balances	-	-	1,526.81	-	-	1,696.37
Other financial assets	-	-	1,015.87	-	-	893.35
<b>Total financial assets</b>	<b>24.72</b>	<b>362.70</b>	<b>26,484.46</b>	<b>24.72</b>	<b>664.85</b>	<b>24,606.59</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

	31 March 2022		31 March 2021	
	FVTPL	Amortised cost	FVTPL	Amortised cost
<b>Financial liabilities</b>				
Borrowings	-	23,094.61	-	17,017.53
Lease liability	-	958.59	-	1,211.79
Trade payables	-	11,226.78	-	15,213.45
Other financial liabilities	-	5,348.66	-	6,467.99
<b>Total financial liabilities</b>	-	<b>40,628.64</b>	-	<b>39,910.76</b>

The Company's principal financial liabilities, comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, cash and cash equivalents and other bank balances that derive directly from its operations. The Company also holds FVOCI investments.

- (iv) The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature. Difference between carrying amounts and fair values of bank deposits, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented. For all other amortised cost instruments, carrying value represents the best estimate of fair value. For financial assets measured at fair values, the carrying amounts are equal to the fair values.

## 32. Financial instruments risk management

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The Company's risk management policies are established to identify and analyse the risks faced by the Company and seek to, where appropriate, minimize potential impact of the risk and to control and monitor such risks. There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks or the manner in which it manages and measures the risks. The following sections provide details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for management of these risks:

### A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, trade receivables and other financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2022 and 31 March 2021. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.



# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## i. Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has loan facilities on floating interest rate, which exposes the Company to risk of changes in interest rates. The management monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary. The Company's investment in deposits with banks are for short durations and therefore do not expose the Company to significant interest rate risk. Below are the details of exposure to fixed rate and variable rate instruments:

Particulars	31 March 2022	31 March 2021
<b>Fixed rate instruments</b>		
Financial assets	1,517.19	1,683.25
Financial liabilities	4,771.68	3,096.41
<b>Variable rate instruments</b>		
Financial liabilities	18,322.93	13,921.12

Every 0.5% increase/decrease in the interest rate component applicable to the respective borrowings would effect the Company's net profit before tax resulting in an expense/income of ₹91.61 and ₹69.61 for the year ended 31 March 2022 and 31 March 2021 respectively.

## ii. Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of change in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in foreign currency) and financing activities (when borrowings are denominated in foreign currency), The foreign currencies in which these transactions are denominated are US Dollars, Euros, Japanese Yen, Great British Pound and Swiss Franc. The Company uses foreign exchange forward contracts to hedge its exposure in foreign currency risk.

- a) Significant unhedged foreign currency risk exposure relating to financial assets and financial liabilities expressed in ₹ terms are as follows:

### Financial assets

Trade receivables	31 March 2022	31 March 2021
- USD	18,015.91	14,617.64
- EUR	34.85	1,219.04

Cash & cash equivalents	31 March 2022	31 March 2021
- USD	77.06	95.11

### Financial liabilities

Trade payables	31 March 2022	31 March 2021
- USD	1,432.24	2,704.88
- EUR	8.43	37.17
- GBP	13.84	-
- CHF	0.65	-
- JPY	10.76	7.58

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

<b>Borrowings</b>	<b>31 March 2022</b>	<b>31 March 2021</b>
- USD	15,101.63	4,393.35
- EUR	-	-

## b) Derivative financial instruments

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

	<b>Sell</b>	<b>31 March 2022</b>	<b>31 March 2021</b>
Derivatives not designated as hedges			
Forward contract	USD (in lakhs)	US \$157.05	-
Interest rate swaps	USD (in lakhs)	-	-

## c) Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD and Euro exchange rates, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material.

<b>Particulars</b>	<b>Impact on profit before tax for the year ended</b>	
	<b>31 March 2022</b>	<b>31 March 2021</b>
USD sensitivity		
₹/USD - Increase by 5%	77.95	380.73
₹/USD - Decrease by 5%	(77.95)	(380.73)
EUR sensitivity		
₹/EUR - Increase by 5%	1.32	59.09
₹/EUR - Decrease by 5%	(1.32)	(59.09)

## iii. Equity price risk:

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI/FVTPL. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and total comprehensive income by ₹38.70 (31 March 2021: ₹68.96).

## B. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at 31 March 2022 and 31 March 2021.

Ageing of trade receivables is as follows:

	<b>31 March 2022</b>	<b>31 March 2021</b>
Neither past due nor impaired	18,620.71	15,756.52
Past due not impaired:		
0-180 days	4,762.66	5,592.59
Greater than 180 days	49.27	424.20
	<b>23,432.64</b>	<b>21,773.31</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## C. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows.

### Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

31 March 2022	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	12,669.82	6,827.10	3,597.69	23,094.61
Lease liability	345.86	675.25	98.37	1,119.48
Trade and other payables	11,226.78	-	-	11,226.78
Other financial liabilities	5,348.66	-	-	5,348.66
<b>Total</b>	<b>29,591.12</b>	<b>7,502.35</b>	<b>3,696.06</b>	<b>40,789.53</b>

31 March 2021	Up to 1 year	From 1 to 3 years	More than 3 years	Total
Borrowings	8,204.27	4,938.37	3,874.89	17,017.53
Lease liability	358.38	708.84	410.65	1,477.87
Trade and other payables	15,213.45	-	-	15,213.45
Other financial liabilities	6,467.99	-	-	6,467.99
<b>Total</b>	<b>30,244.09</b>	<b>5,647.21</b>	<b>4,285.54</b>	<b>40,176.84</b>

## 33. Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Hence, the Company may adjust any dividend payments, return capital to shareholders or issue new shares or sell assets to reduce debt. Total capital is the equity as shown in the statement of financial position. Currently, the Company primarily monitors its capital structure on the basis of the following gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Company.

The capital for the reporting year under review is summarized as follows:

	As at 31 March 2022	As at 31 March 2021
Total borrowings	23,094.61	17,017.53
Less: Cash and cash equivalents	(2,026.33)	(1,926.81)
Net debt	<b>21,068.28</b>	<b>15,090.72</b>
Total equity	84,050.08	78,645.77
Net debt to equity ratio	<b>25.07%</b>	<b>19.19%</b>

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 34. Net debt reconciliation

	Current borrowings	Non-current borrowings	Cash and cash equivalents	Deposits	Net debt
<b>Net debt as on 1 April 2020</b>	16,817.26	9,141.80	1,120.35	3,564.59	21,274.12
Cash flows (net)	(11,143.58)	2,177.29	(872.24)	(1,881.34)	(6,212.71)
For-ex adjustment	24.76	-	(4.55)	-	29.31
Interest expenses, including interest capitalized	-	-	-	-	-
Interest paid	-	-	-	-	-
<b>Net debt as on 31 March 2021</b>	<b>5,698.44</b>	<b>11,319.09</b>	<b>243.56</b>	<b>1,683.25</b>	<b>15,090.72</b>
Cash flows (net)	3,479.54	2,286.61	259.40	(166.06)	5672.81
For-ex adjustment	43.50	267.44	6.18	-	304.75
Interest expenses, including interest capitalized	-	-	-	-	-
Interest paid	-	-	-	-	-
<b>Net debt as on 31 March 2022</b>	<b>9,221.47</b>	<b>13,873.14</b>	<b>509.14</b>	<b>1,517.19</b>	<b>21,068.28</b>

## 35. Research and development expenses

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditures are given below:

	For the period ended 31 March 2022	For the period ended 31 March 2021
Revenue Expenditure		
Salaries and wages	2,054.33	1,351.85
Consumption of raw materials and consumables	473.04	522.90
Power and fuel	244.93	231.83
	<b>2,772.30</b>	<b>2,106.58</b>
Capital Expenditure	<b>863.00</b>	<b>178.11</b>

## 36. Investment properties

Investment properties comprise of carrying value of land and capital work-in-progress, representing the cost incurred towards development and construction activity at the said land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited ("TSIIC") (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited).

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

Particulars	As at 31 March 2022	As at 31 March 2021
<b>Gross block</b>		
Opening balance	1,890.64	2,981.39
Addition	101.43	-
Transfer	-	1,090.75
Closing balance	1,992.07	1,890.64
<b>Accumulated depreciaton</b>		
Opening	-	-
During the year	26.23	-
Disposal	-	-
<b>Closing</b>	<b>26.23</b>	<b>-</b>
<b>Net Block</b>	<b>1,965.84</b>	<b>1,890.64</b>
<b>Fair Value</b>	<b>11,424.84</b>	<b>11,424.84</b>

## 37. Goodwill

Pursuant to the Scheme of Amalgamation and Arrangement ("the Scheme") duly approved by the National Company Law Tribunal, Hyderabad Bench vide their order dated 21 March 2018, Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") (together referred to as "Transferor Companies"), were merged with the Company with appointed date of 1 April 2016. NHSPL is engaged in the business of conducting research and development of Peptides and NPRPL is in the business of contract research services.

The purchase consideration of ₹31,084.99 paid by way of issue of 2,270,635 equity shares of ₹10 each [in accordance with the Scheme, 4,590,608 equity shares of ₹10 each held by NHSPL in the Company stands cancelled and the Company shall issue 6,861,095 and 148 fully paid-up equity shares of ₹10 each to the shareholders of NHSPL and NPRPL respectively] at a premium of ₹1,359 per equity share.

Excess of consideration paid over net assets taken over aggregating to ₹27,946.10 is recognized as Goodwill.

### Below is the reconciliation of the carrying amount of goodwill:

Particulars	As at 31 March 2022	As at 31 March 2021
Opening balance	27,946.10	27,946.10
Add: Due to acquisition during the year	-	-
Less: Impairment/write off	-	-
<b>Closing Balance</b>	<b>27,946.10</b>	<b>27,946.10</b>

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.50% for the year ended 31 March 2022. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 38. Segment reporting

The management has assessed the identification of reportable segments in accordance with the requirements of Ind AS 108 'Operating Segment' and believes that the Group has only one reportable segment namely "manufacture of active pharmaceutical ingredients and allied services".

Geography-wise details of the Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) and revenue from major customers are given below:

### (i) Analysis of Group's revenues (excluding other operating revenue) based on the location of the customers:

	For the year ended 31 March 2022	For the year ended 31 March 2021
India	23,912.33	21,814.14
Europe	26,815.38	33,018.26
USA	25,336.49	19,412.34
Rest of the world	16,269.21	17,572.93
	<b>92,333.41</b>	<b>91,817.67</b>

### (ii) Analysis of Group's non-current assets based on the location of the assets:

	As at 31 March 2022	As at 31 March 2021
India	79,440.05	76,894.45
USA	(1.14)	-
Rest of the world	(3.64)	(2.45)
	<b>79,435.27</b>	<b>76,892.00</b>

The Group has two customer group who contributed more than 10% of the Group's revenue (excluding other operating revenue) during the current year. The revenue from such major customer group during the year is ₹23,729 (31 March 2021: ₹12,615.65).

## 39. Related party disclosures

### (a) Names of the related parties and nature of relationship

#### Particulars

#### Enterprise over which key management personnel exercise significant influence

Neuland Foundation

#### Key Management Personnel

Dr. D. R. Rao - Executive Chairman

Mr.D. Sucheth Rao - Vice Chairman and CEO

Mr.D. Saharsh Rao - Vice Chariman &amp; MD

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

Mr. Humayun Dhanrajgir - Non-Executive Independent Director

Mr. Parampally Vasudeva Maiya - Non-Executive Independent Director

Dr. William Gordon Mitchell - Non-Executive Independent Director (Cessation due to demise on 6th December 2021)

Mrs. Bharati Rao - Non-Executive Independent Director

Dr. Nirmala Murthy - Non-Executive Independent Director

Mr.Homi Rustam Khusrokhan - Non-Executive Independent Director

Mr.Deepak Gupta - Chief Financial Officer (with effect from 24th September 2020)

#### Relatives of Key Management Personnel

Mrs. D. Vijaya Rao

Mrs. D. Rohini Niveditha Rao

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## (b) Transactions with related parties

	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>Transactions with KMP</b>		
Managerial remuneration	1,093.14	1,052.68
Rent	250.69	157.95
Director's sitting fee	29.40	24.90
Commission	35.00	35.00
<b>Transactions with relatives of KMP</b>		
Rent	79.20	75.73

## (c) Balances receivable/(payables)

		As at 31 March 2022	As at 31 March 2021
<b>Key Management Personnel</b>			
Mr. D. Sucheth Rao	Security deposit	121.40	121.40
Mr.D. Saharsh Rao	Security deposit	121.40	121.40
Dr. D. R. Rao	Remuneration Payable	(130.00)	(220.00)
Mr. D. Sucheth Rao	Remuneration Payable	(125.00)	(200.00)
Mr.D. Saharsh Rao	Remuneration Payable	(125.00)	(180.00)
Non Executive Directors	Sitting Fee/Commission/Profesional Fee	(35.00)	(10.10)
<b>Relative of Key Management Personnel</b>			
Mrs. D Vijaya Rao	Security deposit	19.20	19.20
Mrs. D Vijaya Rao	Rent Payable	(7.21)	(7.03)

Note:

Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees in connection with the working capital limits availed by the Company. (Refer note: 14)

## 40. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹1831.45 (31 March 2021: ₹2,284.55).

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 41. Contingent liabilities and pending litigations

	As at 31 March 2022	As at 31 March 2021
<b>Disputed income tax liabilities</b>		
Assessment year 2004-05 - refer note (a) below	693.33	693.33
Other income tax matters	55.20	19.01
<b>GST/Customs</b>		
Assessment year 2017-18 towards availment of transitional input tax credit ( GST)	47.94	-
Non- fulfilment of export obligation (customs)	46.25	-
<b>Other matters</b>		
Public litigation against land parcel allotment by APIICL- refer note (b) below	1,965.84	1,890.64
CIGSR Order for land parcel at Bonthapally in survey no 490/2- refer note (c) below	0.64	0.64
CIGSR Order for land parcel at Bonthapally in survey no 490/1- refer note (d) below	3.30	3.30
Certain disputes, for unascertained amounts are pending in the Labor Courts, Telangana Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect.	Not ascertainable	Not ascertainable
<b>Other Claims and Gurantees</b>		
Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company	4,655.20	7,863.71

Note:

- (a) The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year 2004-05 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the Income Tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favour of the Company. The Income Tax department has however filed an appeal with the Hon'ble High Court of Telangana in this regard, which is pending final outcome. However, on the basis of its internal assessment and considering the order of the first level appellate authority, the Company is confident of securing an favourable order from the High Court and accordingly, no adjustments have been made to the standalone financial statements in this regard.

### Other pending litigations / contingent liabilities:

- (b) During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹1,965.84.
- (c) Our Company purchased land in Survey No. 490/2 situated at Bonthapally Village, Jinnaram Mandal, Medak District. The Revenue department issued notices to our Company for resumption of the said land on the ground that the same was ""assigned land"". Our Company has filed an application before the Collector, Medak District for regularization of the said land as per the applicable laws. Our Company also filed a writ petition before the High Court praying for an order not to take any coercive steps. The High Court vide its order dated March 18, 2011 directed the revenue department to not take any coercive steps till the disposal of the representation filed by our Company. The matter is pending before the Collector, Medak District. The management believes that the outcome will be in favour of the Company and hence no adjustment is made in the financial statements.
- (d) During the financial year ended 31 March 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide its order dated 22 February 2008 has cancelled the registration of the land parcel owned by the company situated at Bontapally pursuant to complain made by one of the seller. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated 31 December 2010 has directed to maintain the status quo with regards to the possession of the property till further orders passed. Proceedings of the case are still pending with the court. The management is confident that orders will be in the favour of the Company, hence no adjustment is deemed necessary to these standalone financial statements.



# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 42 Expenditure during construction period (pending allocation)

	For the year ended 31 March 2022	For the year ended 31 March 2021
Opening Balance	-	370.40
<b>Less:</b>		
Capitalized during the year	-	370.40
	-	-

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 43. Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act

	Net assets *				Share in profit / (loss)				Share in other comprehensive income ("OCI")				Share in total comprehensive income				
	As % of consoli dated net assets	Amount	As % of consoli dated net assets	Amount	As % of consoli dated profit / (loss)	Amount	As % of consoli dated profit / (loss)	Amount	As % of consoli dated OCI	Amount	As % of consoli dated OCI	Amount	As % of consoli dated compre hensive income	Amount	As % of consoli dated total compre hensive income	Amount	As % of consoli dated total compre hensive income
Parent	99.41%	83,557.43	99.42%	78,188.14	99.55%	6,353.34	99.58%	8,029.49	101.04%	(599.17)	(139.25)	88.99%	(139.25)	99.39%	5,754.17	99.79%	7,890.24
Subsidiary incorporated outside India																	
Neuland Laboratories Inc	0.47%	394.21	0.45%	357.68	0.36%	22.92	0.35%	28.05	0.00%	-	0.00%	-	0.40%	22.92	0.35%	28.05	
Neuland Laboratories KK	0.14%	114.26	0.15%	115.77	0.09%	5.94	0.07%	5.53	0.00%	-	0.00%	-	0.10%	5.94	0.07%	5.53	
<b>Total</b>	<b>100.02%</b>	<b>84,065.90</b>	<b>100.02%</b>	<b>78,661.59</b>	<b>100.00%</b>	<b>6,382.20</b>	<b>100.00%</b>	<b>8,063.07</b>	<b>101.04%</b>	<b>(599.17)</b>	<b>(139.25)</b>	<b>88.99%</b>	<b>(139.25)</b>	<b>99.89%</b>	<b>5,783.03</b>	<b>100.22%</b>	<b>7,923.82</b>
Consolidation adjustments	-0.02%	(15.82)	-0.02%	(15.82)	0.00%	-	0.00%	-	-1.04%	6.18	(17.22)	11.01%	(17.22)	0.11%	6.18	-0.22%	(17.22)
<b>Net amount</b>	<b>100%</b>	<b>84050.08</b>	<b>100%</b>	<b>78645.77</b>	<b>100.00%</b>	<b>6,382.20</b>	<b>100.00%</b>	<b>8,063.07</b>	<b>100.00%</b>	<b>(592.99)</b>	<b>(156.47)</b>	<b>100.00%</b>	<b>(156.47)</b>	<b>100.00%</b>	<b>5,789.21</b>	<b>100.00%</b>	<b>7,906.60</b>

\* 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 the requirements of the Act.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 44. Leases

The Group has entered into operating leases of office premises and residential bungalow, with no restrictions and are renewable at the option of either of the parties, for a period of 3 years to 5 years. The escalation rates is 5% per annum as per the terms of the lease agreement. There are no sub leases. The Group applies the short term lease and lease of low value assets recognition exemption for few leases.

Particulars	31 March 2022	31 March 2021
<b>(i) The movement in right-of-use assets is as follows :</b>		
<b>Opening balance</b>	<b>1,224.37</b>	<b>384.39</b>
Reclassified on account of adoption of Ind AS 116	-	-
Addition during the year	-	1,150.97
Deletions during the year	-	-
Depreciation charge for the year	(324.69)	(310.99)
<b>Closing balance</b>	<b>899.68</b>	<b>1,224.37</b>
<b>(ii) The break-up of current and non-current lease liabilities is as follows</b>		
Non-current lease liabilities	693.96	958.60
Current lease liabilities	264.63	253.19
<b>(iii) The movement in lease liabilities is as follows :</b>		
<b>Opening balance</b>	<b>1,211.79</b>	<b>414.42</b>
Reclassified on account of adoption of Ind AS 116	-	-
Addition during the year	-	1,050.90
Accretion of interest	80.11	98.02
Deletions during the year	-	-
Payment of principal portion of lease liabilities	(253.20)	(253.53)
Payment of interest portion of lease liabilities	(80.10)	(98.02)
<b>Closing balance</b>	<b>958.60</b>	<b>1,211.79</b>
<b>(iv) The contractual maturities of lease liabilities on an undiscounted basis are as follows:</b>		
Less than one year	345.86	358.38
One to five years	773.62	1,119.49
More than five years	-	-

Note:

- The aggregate depreciation expense on right-of-use assets of ₹ 324.69 is included under depreciation and amortization expense in the Statement of Profit and Loss.
- Rental expense recorded for short-term and low value leases was ₹ 15.66 for the year ended March 31, 2022.
- The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

## 45. Ratios

S No.	Ratio	Formula	Particulars	March 31, 2022	March 31, 2021	Ratio as on 31 March 2022	Ratio as on 31 March 2021	Variation	Reason (If variation is more than 25%)		
(a)	Current Ratio	Current Assets / Current Liabilities	Numerator Current Assets = Inventories + Current Investment + Trade Receivables + Cash & Cash Equivalents + Other Current Assets + Contract Assets + Assets held for Sale	Denominator Current Liability = Short term borrowings + Trade Payables + Other financial Liability + Current tax (Liabilities) + Contract Liabilities + Provisions + Other Current Liability	58,277.59	36,315.66	54,958.72	36,851.09	1.60	1.49	-8%
(b)	Debt-Equity Ratio	Debt / Equity	Debt = long term borrowing and current maturities of long-term borrowings	Equity + Reserve and Surplus	13,873.14	84,050.08	11,319.09	78,645.77	0.17	0.14	15%
(c)	Debt Service Coverage Ratio	Net Operating Income / Debt Service	Net Operating Income = Net profit after taxes + Non-cash operating expenses + finance cost + Depreciation	Debt Service = Interest & Lease Payments + Principal Repayments	14,469.78	3,835.17	16,291.43	3,602.32	3.77	4.52	-17%
(d)	Return on Equity Ratio	Profit after tax x 100 / Shareholder's Equity	Net Income = Net Profits after taxes	Shareholder's Equity	6,382.20	84,050.08	8,063.07	78,645.77	7.59%	10.25%	-26% Fall in profits & increase in capital base on profit accumulation
(e)	Inventory Turnover Ratio	Cost of Goods Sold / Average Inventory	Cost of Goods Sold	(Opening Inventory + Closing Inventory)/2	78,501.45	25,640.89	74,413.82	23,357.76	3.06	3.19	-4%
(f)	Trade Receivables Turnover Ratio	Net Credit Sales / Average Trade Receivables	Net Credit Sales	(Opening Trade Receivables + Closing Trade Receivable)/2	93,447.00	22,981.91	92,426.52	20,952.51	4.07	4.41	-8%
(g)	Trade Payables Turnover Ratio	Net Credit Purchases / Average Trade Payables	Net Credit Purchases	(Opening Trade Payables + Closing Trade Payables)/2	43,662.93	13,220.11	46,322.74	13,384.87	3.30	3.46	5%
(h)	Net Capital Turnover Ratio	Revenue / Average Working Capital	Revenue	Average Working Capital = Average of Current assets - Current Liabilities	95,107.66	20,034.78	93,691.31	16,931.45	4.75	5.53	-14%
(i)	Net Profit Ratio	Net Profit / Net Sales	Net Profit	Net Sales	6,382.20	95,107.66	8,063.07	93,691.31	6.71%	8.61%	-22%
(j)	Return on Capital Employed	EBIT / Capital Employed	EBIT = Earnings before interest and taxes	Average Capital Employed	9,565.76	98,830.43	12,323.18	91,481.095	9.68%	13.47%	-28% Fall in profits and increase in capital employed on profit accumulation, capex funding & higher working capital requirement
(k)	Return on Investment	Net Profit / Net Investment	Net Profit	Net Investment = Net Equity	6,382.20	84,050.08	8,063.07	78,645.77	7.59%	10.25%	-26% Fall in profits and increase in capital base on profit accumulation

# Notes to Consolidated Financial Statements

for the year ended March 31, 2022

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

**46.** The Code on Social Security 2020 ('the Code') relating to employee benefits, during the employment and post-employment, has received Presidential assent on September 28, 2020. The Code has been published in the Gazette of India. Further, the Ministry of Labour and Employment has released draft rules for the Code on November 13, 2020. However, the effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are also not yet issued. The Company will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

**47.** The consolidated financial statements are approved for issue by the Company's Board of Directors on 10 May 2022.

As per our report of even date

For **MSKA & Associates**  
Chartered Accountants  
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**  
Partner  
Membership No: 214198

**Dr. D. R. Rao**  
Executive Chairman  
DIN 00107737

**D. Sucheth Rao**  
Vice Chairman and CEO  
DIN 00108880

**D. Saharsh Rao**  
Vice Chairman and Managing Director  
DIN 02753145

**Homi Rustam Khusrokhani**  
Independent Director  
DIN- 00005085

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: 10 May 2022

Place: Hyderabad  
Date: 10 May 2022

# Form AOC-I

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

Statement containing salient features of the financial statement of subsidiaries / joint ventures

## Part "A": Subsidiaries

(₹ in lakhs)

Name of Subsidiary	Neuland Laboratories K. K.	Neuland Laboratories INC.
Country	Japan	U.S.A
Reporting Currency	₹	US \$
Exchange Rate	0.62525	75.79
Share Capital	15.37	0.45
Reserves & Surplus	98.89	393.76
Total Assets	187.94	506.25
Total Liabilities	187.94	506.25
Investments Made	-	-
Turnover	255.50	631.36
Profit / (Loss) before Taxation	12.18	30.08
Provision for Taxation	6.24	7.16
Profit / (Loss) after Taxation	5.94	22.92
Proposed Dividend	-	-
% of shareholding	100%	100%

Notes:

- There is no subsidiary which is yet to commence operations

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

**Dr. D.R. Rao**  
Executive Chairman  
DIN: 00107737

**D. Sucheth Rao**  
Vice-Chairman & CEO  
DIN: 00108880

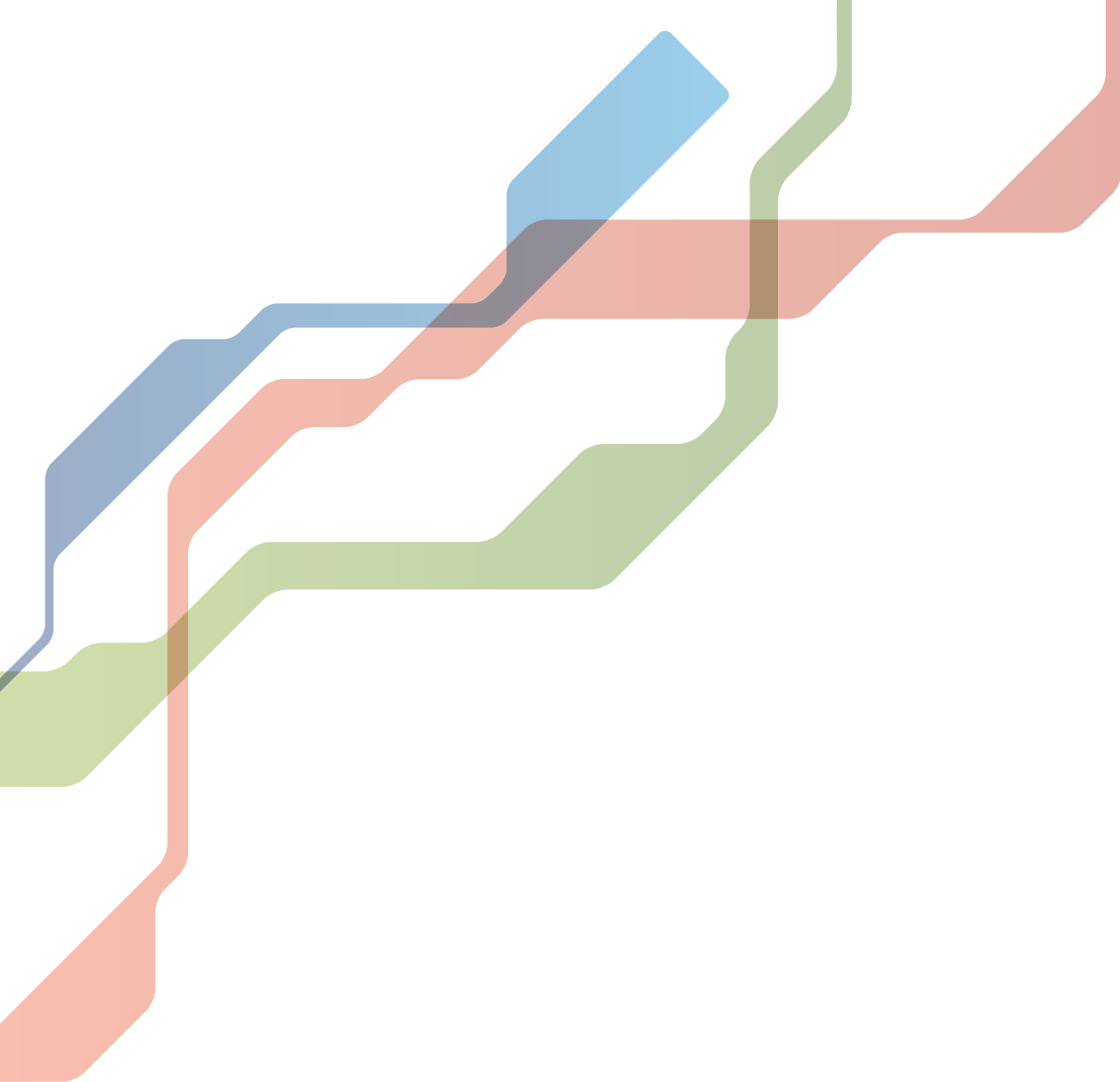
**D. Saharsh Rao**  
Vice-Chairman & MD  
DIN: 02753145

**Deepak Gupta**  
Chief Financial Officer

**Sarada Bhamidipati**  
Company Secretary

Place: Hyderabad  
Date: May 10, 2022





## Neuland Laboratories Limited

11<sup>th</sup> Floor (5th Office Level), Phoenix IVY Building,  
Plot No. 573A-III, Road No. 82, Jubilee Hills,  
Hyderabad - 500033

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