# INDEPENDENT AUDITOR'S REPORT

To the Members of **Neuland Laboratories Limited**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Neuland Laboratories Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2021, and the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of reports of other auditors on separate financial statements and on the other financial information of subsidiaries, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other accounting principles generally accepted in India, of their consolidated state of affairs of the Group as at March 31, 2021, of consolidated profit and other comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| | Key Audit Matter | How the KAM was addressed in our audit: |
|---|---|---|
| 1 | **Impairment of Goodwill**<br>Refer Note 35 to the consolidated financial statements.<br>Goodwill is tested for impairment by the Management on an annual basis as required by IND AS 36 - Impairment of Asset. In determining the fair value/ value in use of business reporting units, the Group has applied judgment in estimating future revenues, operating profit margins, long-term growth rate and discount rates.<br>As at March 31, 2021, Goodwill represents 21.09% of the Group's total assets and 35.53% of the Group's total shareholder's equity. The Group has performed its annual impairment test of goodwill and determined that there no impairment is required to be done.<br>Due to significance of the above matter and involvement of the significant management judgement in estimation of fair value/ value in use, we have considered this as a key audit matter. | Our audit procedures in respect of this area included:<br>1. Obtained an understanding from the management with respect to process and controls followed by the Company to perform annual impairment test related to goodwill.<br>2. Assessed the Group's internal controls over preparation of annual budgets and future forecasts for the business as a whole and the approach followed for annual impairment test and key assumptions applied.<br>3. Assessed the reasonableness of the assumptions used and appropriateness of the valuation methodology applied and tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate.<br>4. Assessed reasonableness of the future revenue and margins, the historical accuracy of the Group's estimates and its ability to produce accurate long-term forecasts.<br>5. Compared the future operating cash flow forecasts with the business plan and budgets approved by the Board.<br>6. Assessed and validated the adequacy and appropriateness of the disclosures made by the management in the consolidated financial statements.<br>7. Verification of compliance with Ind AS 36 - Impairment of Assets.. |

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

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group .

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

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

We give in "Annexure A" a detailed description of Auditor's responsibilities for Audit of the Consolidated Financial Statements.

## Other Matters

a. We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets (before consolidation adjustments) of ₹ 618.51 lakhs as at March 31, 2021, total revenues (before consolidation adjustments) of ₹ 779.86 lakhs, total net profit (before consolidation adjustments) and other comprehensive income (before consolidation adjustments) of ₹ 33.58 lakhs and net cash flows (before consolidation adjustments) amounting to ₹ 7.70 Lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

   Further, both these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding

Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

## Report on Other Legal and Regulatory Requirements

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

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

    b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

    c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

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

    e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company none of the directors of the Holding company are disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.

    f. With respect to the adequacy of internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure B".

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

        i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group Refer Note 39 to the consolidated financial statements.

        ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.

2. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Group to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**
Partner
Membership No. 214198
UDIN: 21214198AAAABZ2942

Place: Hyderabad, INDIA
Date : May 11,2021

# ANNEXURE A

## ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**
Partner
Membership No. 214198
UDIN: 21214198AAAABZ2942

Place: Hyderabad, INDIA
Date : May 11,2021

# ANNEXURE B

## ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NEULAND LABORATORIES LIMITED

*[Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Neuland Laboratories Limited on the consolidated Financial Statements for the year ended March 31, 2021]*

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2021, we have audited the internal financial controls with reference to consolidated financial statements of Neuland Laboratories Limited (hereinafter referred to as "the Holding Company") as of that date.

### Management's Responsibility for Internal Financial Controls

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements of the Holding company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether internal financial controls with reference to consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls with reference to these consolidated financial statements.

### Meaning of Internal Financial Controls With Reference to Consolidated Financial Statements

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

### Inherent Limitations of Internal Financial Controls With Reference to Consolidated Financial Statements

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

### Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the Holding Company have, in all material respects, internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm Registration No. 105047W

**Amit Kumar Agarwal**
Partner
Membership No. 214198
UDIN: 21214198AAAABZ2942

Place: Hyderabad, INDIA
Date : May 11,2021

# Consolidated Balance Sheet

as at March 31, 2021

(₹ in lacs )

| | | Notes | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|---|
| **I.** | **ASSETS** | | | |
| | **Non-current assets** | | | |
| | Property, plant and equipment | 3 | 40,173.45 | 33,749.59 |
| | Right of use assets | | 1,224.37 | 384.39 |
| | Capital work-in-progress | | 1,725.02 | 2,375.12 |
| | Investment property | 34 | 1,890.64 | 2,981.39 |
| | Goodwill | 35 | 27,946.10 | 27,946.10 |
| | Other intangible assets | 4 | 349.75 | 195.76 |
| | **Financial assets** | | | |
| | (i) Investments | 5 | 44.00 | 35.83 |
| | (ii) Other financial assets | 6 | 584.04 | 912.98 |
| | Non-current tax assets | | 605.51 | 1,350.93 |
| | Other non-current assets | 7 | 2,977.16 | 1,647.16 |
| | **Total non-current assets** | | **77,520.04** | **71,579.25** |
| | **Current assets** | | | |
| | Inventories | 8 | 24,760.77 | 21,954.74 |
| | **Financial assets** | | | |
| | (i) Investments | 5 | 645.57 | 750.00 |
| | (ii) Trade receivables | 9 | 21,773.31 | 18,988.99 |
| | (iii) Cash and cash equivalents | 10 | 243.56 | 1,120.35 |
| | (iv) Bank balances other than (iii) above | 11 | 1,696.37 | 3,577.71 |
| | (v) Other financial assets | 6 | 309.31 | 356.68 |
| | Other current assets | 7 | 5,529.83 | 4,770.17 |
| | **Total current assets** | | **54,958.72** | **51,518.64** |
| | **Total assets** | | **1,32,478.76** | **1,23,097.89** |
| **II.** | **EQUITY AND LIABILITIES** | | | |
| | **Equity** | | | |
| | Equity share capital | 12 | 1,290.05 | 1,290.05 |
| | Other equity | 13 | 77,355.72 | 69,705.72 |
| | **Total equity** | | **78,645.77** | **70,995.77** |
| | **Liabilities** | | | |
| | **Non-current liabilities** | | | |
| | **Financial liabilities** | | | |
| | (i) Borrowings | 14 | 8,813.26 | 7,737.26 |
| | (ii) Lease liability | | 958.60 | 257.79 |
| | Provisions | 15 | 943.89 | 1,248.98 |
| | Deferred tax liabilities (net) | 16 | 5,975.68 | 4,778.11 |
| | Other non-current liabilities | 17 | 290.47 | 2,316.61 |
| | **Total non-current liabilities** | | **16,981.90** | **16,338.75** |
| | **Current liabilities** | | | |
| | **Financial liabilities** | | | |
| | (i) Borrowings | 14 | 5,698.44 | 16,817.26 |
| | (ii) Lease liability | | 253.19 | 156.63 |
| | (ii) Trade payables | | | |
| | - total outstanding dues of micro and small enterprises | 18 | 856.79 | 130.56 |
| | - total outstanding dues of creditors other than micro and small enterprises | | 14,356.66 | 11,425.74 |
| | (iii) Other financial liabilities | 19 | 8,973.82 | 4,601.23 |
| | Provisions | 15 | 64.26 | 227.31 |
| | Other current liabilities | 17 | 6,647.93 | 2,404.64 |
| | **Total current liabilities** | | **36,851.09** | **35,763.37** |
| | **Total liabilities** | | **53,832.99** | **52,102.12** |
| | **Total equity and liabilities** | | **1,32,478.76** | **1,23,097.89** |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: 11 May 2021

Place: Hyderabad
Date: 11 May 2021

# Consolidated Statement of Profit and Loss

for the year ended March 31, 2021

(₹ in lacs)

| | | Notes | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|---|---|
| **I.** | **Income** | | | |
| | Revenue from operations | 20 | 93,691.31 | 76,271.08 |
| | Other income | 21 | 1,609.51 | 388.59 |
| | **Total income (I)** | | **95,300.82** | **76,659.67** |
| **II.** | **Expenses** | | | |
| | Cost of materials consumed | 22 | 43,965.70 | 39,135.59 |
| | Changes in inventories of finished goods and work-in-progress | 23 | (124.45) | (1,115.75) |
| | Employee benefits expense | 24 | 14,973.67 | 12,355.52 |
| | Finance costs | 25 | 1,789.83 | 2,157.35 |
| | Depreciation and amortisation expenses | 3 & 4 | 3,968.26 | 3,128.01 |
| | Manufacturing expenses | 26 | 12,028.58 | 9,759.63 |
| | Other expenses | 27 | 8,165.88 | 5,947.07 |
| | **Total expenses (II)** | | **84,767.47** | **71,367.42** |
| **III.** | **Profit before tax (I-II)** | | **10,533.35** | **5,292.25** |
| **IV.** | **Tax expense** | 28 | | |
| | Current tax | | 1,255.73 | 9.63 |
| | Deferred tax | | 1,214.55 | 3,661.57 |
| | **Total tax expense (IV)** | | **2,470.28** | **3,671.20** |
| **V.** | **Profit for the year (III-IV)** | | **8,063.07** | **1,621.05** |
| **VI.** | **Other comprehensive income** | | | |
| | **Items that will not be reclassified to profit or loss** | | | |
| | Re-measurement gains/(losses) on defined benefit plans | | (57.45) | (99.76) |
| | Equity instruments through other comprehensive income | | (96.26) | (4.09) |
| | Income tax relating to items that will not be reclassified to profit or loss | | 14.46 | 25.11 |
| | **Items that will be reclassified to profit or loss** | | | |
| | Exchange differences in translating the financial statements of foreign operations | | (17.22) | 35.34 |
| | **Total other comprehensive income for the year, net of tax (VI)** | | **(156.47)** | **(43.40)** |
| **VII.** | **Total comprehensive income for the year (V+VI)** | | **7,906.60** | **1,577.65** |
| **VIII.** | **Earnings per equity share [EPES] (in absolute ₹ terms)** | 29 | | |
| | Nominal value per equity share | | 10 | 10 |
| | Basic EPES | | 62.85 | 12.63 |
| | Diluted EPES | | 62.85 | 12.63 |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: 11 May, 2021

Place: Hyderabad
Date: 11 May, 2021

# Consolidated Statement of Changes in Equity

as at March 31, 2021

## A. Equity share capital

(₹ in lacs)

| | Notes | Number of shares | Amount * |
|---|---|---|---|
| **As at 1 April 2019** | | **1,28,29,889** | **1,290.05** |
| Changes in equity share capital during the year | 12 | - | - |
| **As at 31 March 2020** | | **1,28,29,889** | **1,290.05** |
| Changes in equity share capital during the year | | - | - |
| **As at 31 March 2021** | | **1,28,29,889** | **1,290.05** |

## B. Other equity

(₹ in lacs)

| | Reserves and Surplus | | | | | Other Comprehensive Income | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Capital reserve | Securities premium | General reserve | Revaluation reserve | Retained earnings | FVOCI - equity instruments | Foreign currency translation reserve | Remeasurement of defined benefit plans | |
| **Balance as at 1 April 2019** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **15,901.00** | **44.27** | **38.83** | **2.42** | **68,640.73** |
| Profit for the year | - | - | - | - | 1,621.05 | - | - | - | 1,621.05 |
| Dividend paid (including dividend distribution tax) | - | - | - | - | (494.95) | - | - | - | (494.95) |
| Transitional impact on adoption of IND AS 116 - Leases | - | - | - | - | (17.71) | - | - | - | (17.71) |
| Other comprehensive income (net of tax) | - | - | - | - | - | (4.09) | 35.34 | (74.65) | (43.40) |
| **Balance as at 31 March 2020** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **17,009.39** | **40.18** | **74.17** | **(72.23)** | **69,705.72** |
| Profit for the year | - | - | - | - | 8,063.07 | - | - | - | 8,063.07 |
| Dividend paid (including dividend distribution tax) | - | - | - | - | (256.60) | - | - | - | (256.60) |
| Other comprehensive income (net of tax) | - | - | - | - | - | (96.26) | (17.22) | (42.99) | (156.47) |
| **Balance as at 31 March 2021** | **3.32** | **49,777.35** | **2,789.65** | **83.89** | **24,815.86** | **(56.08)** | **56.95** | **(115.22)** | **77,355.72** |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
DIN 00108880

**D. Saharsh Rao**
Vice Chairman and Managing Director
DIN 02753145

**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: 11 May, 2021

Place: Hyderabad
Date: 11 May, 2021

# Consolidated Statement of Cash Flows

For the year ended March 31, 2021

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 10,533.35 | 5,292.25 |
| **Adjustments to reconcile profit before tax to net cash flow:** | | |
| Depreciation and amortisation expenses | 3,968.26 | 3,128.01 |
| Interest income | (166.75) | (216.21) |
| Loss/(Gain) on sale of property, plant and equipment, net | - | (39.06) |
| Loss/(Gain) on sale of investment properties, net | (1,309.25) | - |
| Finance costs | 1,789.83 | 2,157.35 |
| Unrealised foreign exchange gain/(loss), net | (147.80) | 39.55 |
| Unrealised gain on forward contracts | - | (80.33) |
| Provision towards doubtful trade receivables | 385.33 | 707.94 |
| Provision for employee benefits | (511.16) | 130.31 |
| **Operating cash flows before working capital changes** | **14,541.81** | **11,119.81** |
| **Movements in working capital:** | | |
| Changes in inventories | (2,806.03) | (2,689.32) |
| Changes in trade receivables | (3,007.50) | (2,949.93) |
| Changes in other assets | (897.66) | (238.76) |
| Changes in trade payables | 3,664.55 | (472.87) |
| Changes in other financial assets | 327.92 | (629.22) |
| Changes in other financial liabilities | 3,023.22 | 1,122.01 |
| Changes in other liabilities | 4,617.15 | 940.81 |
| **Cash generated from operating activities** | **19,463.46** | **6,202.53** |
| Income-taxes paid, net | (527.29) | (468.41) |
| **Net cash generated from operating activities (A)** | **18,936.17** | **5,734.12** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment and other intangible assets | (10,539.70) | (4,879.68) |
| Proceeds from sale of property, plant and equipment | 0.85 | 78.00 |
| Movement in other bank balances | 1,881.34 | (587.04) |
| Interest income received | 215.14 | 520.76 |
| **Net cash used in investing activities (B)** | **(8,442.37)** | **(4,867.96)** |
| **Cash flows from financing activities** | | |
| Proceeds from short-term borrowings, net | (11,143.58) | 1,635.36 |
| Proceeds from long-term borrowings | 3,636.46 | 3,136.77 |
| Repayment of long-term borrowings | (1,459.17) | (2,235.22) |
| Repayment of lease liability | (253.53) | (153.34) |
| Dividend paid | (256.60) | (494.95) |
| Interest on lease liability | (98.02) | (39.63) |
| Interest paid | (1,791.60) | (2,397.03) |
| **Net cash generated from financing activities (C)** | **(11,366.04)** | **(548.04)** |

*Table continued to next page*

# Consolidated Statement of Cash Flows

For the year ended March 31, 2021

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Net decrease/(increase) in cash and cash equivalents during the year (A + B + C)** | **(872.24)** | **318.12** |
| Cash and cash equivalents at the beginning of the year | 1,120.35 | 793.77 |
| Effect of exchange rate changes on cash and cash equivalents | (4.55) | 8.46 |
| **Cash and cash equivalents at the end of the year (Note 1)** | **243.56** | **1,120.35** |

## Note 1:

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Cash and cash equivalents includes** | | |
| Balances with banks in current accounts | 209.02 | 918.13 |
| Balances with banks in cash credit accounts | 31.36 | 199.49 |
| Cash on hand | 3.18 | 2.73 |
| | **243.56** | **1,120.35** |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

**Amit Kumar Agarwal**
Partner
Membership No: 214198

**Dr. D. R. Rao**
Executive Chairman
DIN 00107737

**D. Sucheth Rao**
Vice Chairman and CEO
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**D. Saharsh Rao**
Vice Chairman and Managing Director
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**Deepak Gupta**
Chief Financial Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
Date: 11 May, 2021

Place: Hyderabad
Date: 11 May, 2021

# Notes to Financial Statements

for the year ended March 31, 2021

## 1. Corporate information

Neuland Laboratories Limited ("the Company") is a public limited company incorporated and domiciled in India. The Company's registered office is at Sanali Info Park, 'A' Block, Ground Floor, 8-2-120/113, Road No 2, Banjara Hills, Hyderabad – 500 034. The shares of the company are listed on two recognised stock exchanges of India viz. the National Stock Exchange of India Limited and BSE Limited. The Company is engaged in manufacturing and selling of bulk drugs and caters to both domestic and international markets.

The Board of Directors approved the consolidated financial statements for the year ended March 31, 2021 and authorised for issue on May 11, 2021.

## 2. Basis of preparation of consolidated financial statements

**Statement of Compliance with Ind AS**

The consolidated financial statements of the Company along with its subsidiaries (together referred to as "Group") have been prepared in accordance with the Indian Accounting Standards ("Ind AS") as notified under Section 133 of the Companies Act 2013 ("the Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules 2015, as amended, issued by the Ministry of Corporate Affairs ('MCA').

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These consolidated financial statements have been prepared for the group as a going concern on the basis of relevant Ind AS that are effective at the group's annual reporting date 31 March 2021.

These consolidated financial statements have been prepared on the historical cost convention and on an accrual basis except for the following material items in the balance sheet:

- Certain financial assets and liabilities which are measured at fair value;
- Net defined benefit assets / (liability) are measured at fair value of plan assets, less present value of defined benefit obligations.

**Principles of consolidation**

Subsidiary

Subsidiary is entity (including structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in full while preparing these consolidated financial statements.

Interest in the subsidiary

The following subsidiaries have been considered for the purpose of preparation of the consolidated financial statements:

| Name of the subsidiary | Country of Incorporation | Percentage holding/ interest (%) | |
|---|---|---|---|
| | | As at 31 March 2021 | As at 31 March 2020 |
| Neuland Laboratories Inc. | United States of America | 100 | 100 |
| Neuland Laboratories K.K | Japan | 100 | 100 |

Principal activity of the subsidiary is providing marketing support services to Neuland Laboratories Limited (Parent Company).

**(i) Use of estimates and judgements**

The preparation of consolidated financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities,

# Notes to Financial Statements

for the year ended March 31, 2021

the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the consolidated financial statements in the period in which changes are made and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

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

**(ii) Summary of significant accounting policies**

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

**a. Functional currency**

The consolidated financial statements are presented in Indian Rupee ('INR' or '₹') which is also the functional and presentation currency of the group. All financial information presented in Indian rupees has been rounded to the nearest lakhs, unless otherwise stated.

**b. Current and non-current classification**

All the assets and liabilities have been classified as current or non-current as per the group's normal operating cycle and other criteria set out in the Division II – Ind AS Schedule III to the Act.

The group presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Current assets / liabilities include the current portion of non-current assets / liabilities respectively. All other assets / liabilities including deferred tax assets and liabilities are classified as non-current.

# Notes to Financial Statements

for the year ended March 31, 2021

c. **Property, plant and equipment (PPE)**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, taxes (other than those subsequently recoverable from tax authorities), borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the group and the cost of item can be measured reliably. If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances. Capital work- in- progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date.

Depreciation on property, plant and equipment is calculated on pro-rata basis on straight-line method using the useful lives of the assets estimated by management. The useful life is as follows:

| Asset | Useful Life (in years) |
|---|---|
| Buildings | 25 & 30 |
| Plant and equipment | 7 to 20 |
| Office equipment | 2 to 5 |
| Furniture and fixtures | 2 to 10 |
| Vehicles | 4 & 8 |
| Computers | 3 & 6 |

Depreciation on additions / disposals is provided on a pro-rata basis i.e. from / upto the date on which asset is ready for use / disposed-off.

The useful lives are based on historical experience with similar assets as well as anticipation of future events. The residual values are not more than 5% of the original cost of the assets. The residual values, useful lives and method of depreciation of are reviewed at each financial year-end and adjusted prospectively, if appropriate.

d. **Leases :**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

The Group recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date

# Notes to Financial Statements

for the year ended March 31, 2021

less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. For leases with reasonably similar characteristics, the Group, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Group recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in statement of profit and loss.

The Group has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Group is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

**e. Investment properties**

Property that is held for long term rental yields or for capital appreciation or for both, and that is not occupied by the group, is classified as investment property. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. When the use of a property changes from owner occupied to investment property, the property is reclassified as investment property at it's carrying amount on the date of reclassification.

**f. Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the

# Notes to Financial Statements

for the year ended March 31, 2021

aggregate consideration transferred, then the gain is recognised in other comprehensive income and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**g. Other intangible assets**

Other intangible assets are stated at cost of acquisition less accumulated amortization and impairment. These are derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from disposal of the intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the assets are disposed off.

Intangible assets are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The other intangible assets comprise of computer software expenditure and are amortized over a period of three years. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

**h. Impairment**

Impairment of non-financial assets

The carrying amounts of the group's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised in the statement of profit or loss if the estimated recoverable amount of an asset or its cash generating unit is lower than its carrying amount. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

# Notes to Financial Statements

for the year ended March 31, 2021

Impairment of financial assets

In accordance with Ind AS 109, the group applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on financial assets measured at amortised cost.

Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime expected credit losses. For all other financial assets, ECL are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL.

Loss allowance for financial assets measured at amortised cost are deducted from gross carrying amount of the assets.

**i. Financial instruments**

Initial Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value and, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

**Financial assets**

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- fair value through other comprehensive income ("FVTOCI") – debt investment;
- FVTOCI – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the group changes its business model for managing financial assets.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Other Income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss.

FVTOCI – debt investment

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Notes to Financial Statements

for the year ended March 31, 2021

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the group recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method

Equity investment

On initial recognition of an equity investment that is not held for trading, the group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVTOCI – equity investment). This election is made on an investment by- investment basis.

If the group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, including foreign exchange gain or loss and excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to profit or loss, even on sale of investment. However, the group may transfer the cumulative gain or loss within equity. Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit or loss.

FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss. Any gain or loss on derecognition is also recognised in statement of profit or loss.

De-recognition

**Financial assets**

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the group has transferred its rights to receive cash flows from the asset.

**Financial liabilities**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

The group uses derivative financial instruments such as forward exchange contracts and interest rate risk exposures to hedge its risk associated with foreign currency fluctuations and changes in interest rates. Derivatives are initially measured at fair value and subsequent to initial recognition, derivatives are measured at fair value, and changes therein

# Notes to Financial Statements

for the year ended March 31, 2021

are generally recognised in statement of profit or loss, since the group's hedging instruments did not qualify for hedge accounting in accordance with the Ind-AS 39. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposit held at call with financial institutions, other short - term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Other income - Dividend income

Dividend income is recognised when the group's right to receive the payment is established, which is generally, when shareholders approve the dividend.

**j. Inventories**

Basis of valuation:

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of engineering spares (such as machinery spare parts) and consumables or consumed as indirect materials in the manufacturing process.

Method of Valuation:

The Cost of raw materials, stores and consumables has been determined by using weighted average cost method and comprises all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventories to their present location and condition.

The Cost of finished goods and work-in-progress includes direct labour and an appropriate share of fixed and variable production overheads and excise duty as applicable. Fixed production overheads are allocated on the basis of normal capacity of production facilities. Cost is determined on weighted average basis.

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

**k. Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are translated into the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the fair value was measured.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise

**l. Revenue recognition**

Revenue from contract with customers

The group derives revenues primarily from sale of active pharmaceutical ingredients and contract research services. Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or

# Notes to Financial Statements

for the year ended March 31, 2021

services to customers in an amount that reflects the consideration the group expects to receive in exchange for those products or services.

The group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

i. the customer simultaneously receives and consumes the benefits provided by the group's performance as the group performs; or

ii. the group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii. the group's performance does not create an asset with an alternative use to the group and an entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue in excess of invoicing are classified as contract asset while collections in excess of revenues are classified as contract liabilities.

In respect of contracts involving bill-and-hold arrangements, the group determines whether the control of the underlying products have been transferred to the customer. For the purpose of determining whether such control is transferred, the entity considers the following requirements as required by Ind AS 115:

i. The reason for the bill-and-hold arrangement is substantive (i.e. the physical possession with the entity is pursuant to the customer's explicit request);

ii. The product is separately identified as belonging to the customer;

iii. The product is ready for physical transfer to the customer; and

iv. The entity does not have the ability to use the product or to direct it to another customer.

The entity recognizes revenue in respect of bill-and-hold arrangements only when all of the aforementioned requirements are met. Further, at the time of such recognition, the entity also determines whether there are any material unsatisfied performance obligations and determines the portion of the aggregate consideration, if any, that needs to be allocated and deferred.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Other operating revenue - Export incentives

Export Incentives under various schemes are recognised in the year of export in accordance with their respective underlying scheme at fair value of consideration received or receivable.

Other income - Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Other income - Dividend income

Dividend income is recognised when the group's right to receive the payment is established, which is generally, when shareholders approve the dividend.

# Notes to Financial Statements

for the year ended March 31, 2021

**m. Borrowing costs**

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**n. Retirement and other employee benefits**

Defined contribution plan

The group's contributions to defined contribution plans are recognised as an expense as and when the services are received from the employees entitling them to the contributions.

Defined benefit plan

The liability in respect of defined benefit plans is calculated using the projected unit credit method with actuarial valuations being carried out at the end of each annual reporting period. The group recognises the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through remeasurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The effect of any plan amendments are recognised in the statement of profit and loss.

**o. Government grants**

The group recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in-relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to reimbursement of expenses incurred are recognized in statement of profit and loss as other income.

**p. Taxes**

Tax expense recognized in statement of profit or loss consists of current and deferred tax except to the extent that it relates to items recognised in OCI or directly in equity, in which case it is recognised in OCI or directly in equity respectively.

Current income tax, assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) enacted in India by using tax rates and the tax laws that are enacted at the reporting date. Current tax assets and tax liabilities are offset where the group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off corresponding current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the group.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the group and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

**q. Research and development expense**

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as expense when incurred. Development activities involve a plan or

# Notes to Financial Statements

for the year ended March 31, 2021

design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if:

- The product or the process is technically and commercially feasible;
- Future economic benefits are probable and ascertainable;
- The group intends to and has sufficient resources, technical and financial, to complete development of the product and has the ability to use or sell the asset; and
- Development costs can be measured reliably.

Where the aforementioned criteria are not met, the expenditure is transferred to statement of profit and loss.

**r. Provisions, contingent liabilities and contingent assets**

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the group; or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

**s. Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential ordinary shares

**(iii)** On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

**Balance Sheet:**

- Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current.
- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
- Specified format for disclosure of shareholding of promoters.
- Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.
- If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc

**Statement of profit and loss:**

- Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the standalone financial statements.

The amendments are extensive and the Company will evaluate the same to give effect to them as required by law.

# Notes to Financial Statements

for the year ended March 31, 2021

## 3. Property, plant and equipment

(₹ in lacs)

| | Freehold land | Buildings | Plant and equipment | Office equipment | Furniture and fixtures | Vehicles | Computers | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross carrying value (at deemed cost)** | | | | | | | | |
| As at 01 April 2019 | 1,074.28 | 8,531.26 | 18,251.03 | 55.29 | 151.72 | 679.06 | 445.45 | 29,188.09 |
| Additions | - | 3,521.68 | 9,685.89 | 6.74 | 15.84 | 209.11 | 170.93 | 13,610.19 |
| Disposals/retirement | - | - | (55.19) | - | - | (164.40) | - | (219.59) |
| **Balance as at 31 March 2020** | **1,074.28** | **12,052.94** | **27,881.73** | **62.03** | **167.56** | **723.77** | **616.38** | **42,578.69** |
| Additions | - | 1,695.67 | 7,824.30 | 17.51 | 53.26 | 203.75 | 186.33 | 9,980.82 |
| Disposals/retirement | - | - | (127.02) | (0.40) | - | (68.68) | (3.26) | (199.36) |
| **Balance as at 31 March 2021** | **1,074.28** | **13,748.61** | **35,579.01** | **79.14** | **220.82** | **858.84** | **799.45** | **52,360.15** |
| Accumulated depreciation | | | | | | | | |
| Upto 01 April 2019 | - | 807.72 | 4,949.27 | 19.62 | 33.61 | 166.19 | 169.87 | 6,146.28 |
| Charge for the year | - | 409.25 | 2,091.48 | 6.18 | 12.36 | 225.34 | 118.87 | 2,863.48 |
| Adjustments for disposals/retirement | - | - | (51.71) | - | - | (128.95) | - | (180.66) |
| **Balance as at 31 March 2020** | **-** | **1,216.97** | **6,989.04** | **25.80** | **45.97** | **262.58** | **288.74** | **8,829.10** |
| Charge for the year | - | 507.40 | 2,680.68 | 11.05 | 19.39 | 186.69 | 123.56 | 3,528.77 |
| Adjustments for disposals/retirement | - | - | (115.04) | (0.36) | - | (52.67) | (3.10) | (171.17) |
| **Balance as at 31 March 2021** | **-** | **1,724.37** | **9,554.68** | **36.49** | **65.36** | **396.60** | **409.20** | **12,186.70** |
| **Net carrying value as at 31 March 2020** | **1,074.28** | **10,835.97** | **20,892.69** | **36.23** | **121.59** | **461.19** | **327.64** | **33,749.59** |
| **Net carrying value as at 31 March 2021** | **1,074.28** | **12,024.24** | **26,024.33** | **42.65** | **155.46** | **462.24** | **390.25** | **40,173.45** |

*Note:*

1. *Free hold land includes land aggregating to ₹3.30, are held in the name of erstwhile Neuland Health Sciences Private Limited, which was merged with the Company. Further, the title of the land is under dispute as disclosed in note: 39(c).*
2. *Refer note 14 for details of property, plant and equipment subject to charge on secured borrowings*
3. *Refer note 41 for details of expenditure during construction period transferred from capital work-in-progress to property, plant and equipment.*
4. *Depreciation and amortisation expenses as per Statement of Profit & Loss includes ₹310.99 towards depreciation on Right to use assets*

## 4. Other intangible assets

(₹ in lacs)

| | Computer Software | Total |
|---|---|---|
| **Gross carrying value (at deemed cost)** | | |
| As at 1 April 2019 | 409.75 | 409.75 |
| Additions | 113.98 | 113.98 |
| **Balance as at 31 March 2020** | **523.73** | **523.73** |
| Additions | 282.48 | 282.48 |
| **Balance as at 31 March 2021** | **806.21** | **806.21** |
| **Accumulated amortization** | | |
| Up to 1 April 2019 | 229.05 | 229.05 |
| Charge for the year | 98.92 | 98.92 |
| **Balance as at 31 March 2020** | **327.97** | **327.97** |
| Charge for the year | 128.49 | 128.49 |
| **Balance as at 31 March 2021** | **456.46** | **456.46** |
| **Net carrying value as at 31 March 2020** | **195.76** | **195.76** |
| **Net carrying value as at 31 March 2021** | **349.75** | **349.75** |

# Notes to Financial Statements

for the year ended March 31, 2021

## 5. Investments

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| **Investments in unquoted equity shares (fully paid up, unless stated otherwise)** | | |
| In others (carried at fair value through profit and loss) | | |
| 2,200 (31 March 2020: 2,200)equity shares of ₹100 each in Jeedimetla Effluent Treatment Limited | 2.20 | 2.20 |
| 209,136 (31 March 2020: 209,136) equity shares of ₹10 each in Patancheru Enviro Tech Limited | 20.91 | 20.91 |
| **Investments in unquoted government securities (carried at fair value through profit and loss)** | **1.61** | **1.61** |
| **Investment in quoted mutual funds (carried at at fair value through other comprehensive income)** | | |
| 100,000 (31 March 2020: 100,000) units of ₹10 each in SBI Mutual Fund | 19.28 | 11.11 |
| **Total non-current investments** | **44.00** | **35.83** |
| Aggregate value of unquoted investments | 24.72 | 24.72 |
| Aggregate value of quoted investments | 19.28 | 11.11 |
| Aggregate amount of impairment in value of investments | - | - |
| **Current** | | |
| **Investment in other at FVTOCI** | | |
| 402,000 (31 March 2020: 402,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited | 645.57 | 750.00 |
| Note: | | |
| Aggregate value of unquoted investments | 645.57 | 750.00 |
| Aggregate value of quoted investments | - | - |
| Aggregate amount of impairment in the value of investments | 104.43 | - |

## 6. Other financial assets

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **(Unsecured, considered good)** | | |
| **Non-current** | | |
| Security deposits | 584.04 | 583.08 |
| Fixed deposits with more than 12 months maturity | - | 329.90 |
| | **584.04** | **912.98** |
| **Current** | | |
| Interest accrued on bank deposits | 16.56 | 64.95 |
| Unbilled revenue | 292.75 | 211.40 |
| Derivatives - foreign currency forward contracts | - | 80.33 |
| | **309.31** | **356.68** |

# Notes to Financial Statements

for the year ended March 31, 2021

## 7. Other assets

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **(Unsecured, considered good)** | | |
| **Non-current** | | |
| Capital Advances | 1,204.73 | 12.73 |
| Balances with government authorities | 1,772.43 | 1,634.43 |
| | **2,977.16** | **1,647.16** |
| **Current** | | |
| Prepaid expenses | 717.48 | 608.27 |
| Balances with government authorities | 2,661.39 | 2,004.07 |
| Advance to suppliers | 1,310.17 | 899.30 |
| Export benefits receivable | 149.99 | 781.61 |
| Other advances | 690.80 | 476.92 |
| | **5,529.83** | **4,770.17** |

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

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Raw materials [including goods in transit of ₹1,346.73 (31 March 2020: ₹570.64)] | 7,857.31 | 5,500.27 |
| Work-in-progress | 10,763.26 | 11,016.30 |
| Finished goods | 4,902.96 | 4,525.47 |
| Stores and consumables | 1,237.24 | 912.70 |
| | **24,760.77** | **21,954.74** |

## 9. Trade receivables

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Trade receivables considered good - secured | - | - |
| Trade receivables considered good - unsecured | 21,773.31 | 18,988.99 |
| Trade receivables which have significant increase in credit risk | 337.31 | 805.40 |
| Trade receivables - credit impaired | - | - |
| | **22,110.62** | **19,794.39** |
| Less: Loss allowance for doubtful receivables | (337.31) | (805.40) |
| | **21,773.31** | **18,988.99** |

*Note:*

1. *No trade receivables are due from any related parties including directors or other officers of the Company either severally or jointly with any other person.*
2. *Refer note 31 for the Company's credit risk management process*

## 10. Cash and cash equivalents

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Balance with banks: | | |
| in current accounts | 209.02 | 918.13 |
| in cash credit accounts | 31.36 | 199.49 |
| Cash on hand | 3.18 | 2.73 |
| | **243.56** | **1,120.35** |

# Notes to Financial Statements

for the year ended March 31, 2021

## 11. Bank balances other than cash and cash equivalents

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Unpaid dividend account | 13.12 | 12.14 |
| Fixed Deposits | 1,683.25 | 3,565.57 |
| | **1,696.37** | **3,577.71** |

** Includes deposits amounting to ₹1,517.25 (31 March 2020: ₹2,605.40) held as margin money/commitment with the banks.*

## 12. Equity share capital

(₹ in lacs)

| | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| Authorized share capital | | | | |
| Equity shares of ₹10 each | 4,40,00,000 | 4,400.00 | 4,40,00,000 | 4,400.00 |
| Issued share capital | | | | |
| Equity shares of ₹10 each | 1,30,23,434 | 1,302.34 | 1,30,23,434 | 1,302.34 |
| Subscribed share capital | | | | |
| Equity shares of ₹10 each | 1,29,33,165 | 1,293.32 | 1,29,33,165 | 1,293.32 |
| Fully paid-up share capital | | | | |
| Equity shares of ₹10 each | 1,28,29,889 | 1,282.99 | 1,28,29,889 | 1,282.99 |
| Add: Forfeited equity shares of ₹10 each | 1,03,276 | 7.06 | 1,03,276 | 7.06 |
| | | **1,290.05** | | **1,290.05** |

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

(₹ in lacs)

| | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Equity shares** | | | | |
| Balance at the beginning of the year | 1,28,29,889 | 1,282.99 | 1,28,29,889 | 1,282.99 |
| Add: Issued during the year | - | - | - | - |
| **Balance at the end of the year** | **1,28,29,889** | **1,282.99** | **1,28,29,889** | **1,282.99** |

### ii. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to prior consent from consortium and approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion of their shareholding.

### iii. Details of shareholders holding more than 5% equity shares in the Company

| Name of the equity shareholders | As at 31 March 2021 | | As at 31 March 2020 | |
|---|---|---|---|---|
| | Number | % holding | Number | % holding |
| Dr. D R Rao | 32,03,474 | 24.97% | 31,78,262 | 24.77% |
| Malabar India Fund Limited | 12,77,096 | 9.95% | 12,77,096 | 9.95% |
| Steadview Capital Mauritius Limited | - | - | 12,70,159 | 9.90% |

# Notes to Financial Statements

for the year ended March 31, 2021

## 13. Other equity

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Reserves and surplus | | |
| Capital reserve | 3.32 | 3.32 |
| Securities premium | 49,777.35 | 49,777.35 |
| General reserve | 2,789.65 | 2,789.65 |
| Revaluation reserve | 83.89 | 83.89 |
| Retained earnings | 24,815.87 | 17,009.39 |
| **Total reserves and surplus** | **77,470.08** | **69,663.60** |
| Other comprehensive income | | |
| FVOCI - Equity instruments, net of taxes | (56.08) | 40.18 |
| Foreign currency translation reserve | 56.94 | 74.17 |
| Remeasurement of defined benefit plan, net of taxes | (115.22) | (72.23) |
| **Total Other comprehensive income** | **(114.36)** | **42.12** |
| | **77,355.72** | **69,705.72** |

### Nature and purpose of reserves

**Capital reserve**

Capital reserve was created on account of merger of Neuland Drugs & Pharmaceuticals Private Limited with the Company. The Company uses capital reserve for transactions in accordance with the provisions of the Act.

**Securities premium**

The amount received in excess of face value of the equity shares is recognised in securities premium. In case of equity-settled share based payment transactions, the difference between fair value on grant date and face value of share is accounted as securities premium. This reserve is utilised in accordance with the provisions of the Act.

**General reserve**

General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes.

**Revaluation reserve**

Revaluation reserve was created on account of revaluation of certain property, plant and equipment during the earlier years.

**FVOCI equity instruments**

The Company has elected to recognise the change in fair value of certain investments in other comprehensive income. These changes are accumulated within the FVOCI equity instruments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity instruments are derecognised.

**Foreign currency translation reserve**

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

**Remeasurement of defined benefit plan**

The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit obligations of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to statement of profit or loss.

# Notes to Financial Statements

for the year ended March 31, 2021

## 14. Borrowings

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| **Secured** | | |
| Term loans | | |
| From banks | 11,005.62 | 6,806.73 |
| From other parties | - | 2,053.57 |
| Other loans | | |
| From banks | 106.52 | 100.23 |
| From other parties | 206.95 | 181.27 |
| | **11,319.09** | **9,141.80** |
| Less: Current maturities of long-term borrowings | 2,505.83 | 1,404.54 |
| | **8,813.26** | **7,737.26** |

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

(₹ in lacs)

| Loan | Outstanding Amount as at 31 March 2021 | Outstanding Amount as at 31 March 2020 | Number of instalments | Repayment start date |
|---|---|---|---|---|
| Term Loan 1 | - | 160.00 | 18/ Quarterly | September'16 |
| Term Loan 2 | 3,048.14 | 3,689.86 | 28/ Quarterly | March'19 |
| Term Loan 3 | 1,696.43 | 2,053.57 | 28/ Quarterly | April'19 |
| Term Loan 4 | 2,782.94 | 2,956.87 | 17/ Quarterly | January'21 |
| Term Loan 5 | 3,478.11 | - | 20/ Quarterly | June'21 |

(i) The above loans are secured by pari-passu first charge on property, plant and equipment (both present and future) and second charge (hypothecation) on the current assets of the Company. All the above term loan (except Term Loan 5) from banks are also secured by way of personal guarantees extended by Dr. Davaluri Rama Mohan Rao and Davuluri Sucheth Rao. Term Loan 1 was fully repaid during the year and the charge is released.

(ii) Vehicles loans outstanding to the tune of ₹313.47 (31 March 2020: ₹281.50) are secured by hypothecation of specific vehicles against which the loan was availed. Vehicle loans are repayable in instalments ranging from 35 to 59 months from the date of the loan.

(iii) All the above loans carry interest in the range of 7.55% to 9.85% per annum (31 March 2020: 6.70% to 12.50% per annum).

(iv) Details of repayment of non-current borrowings

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Up to 1 year | 2,505.83 | 1,404.54 |
| From 1 to 3 years | 4,938.37 | 3,535.62 |
| 3 years and above | 3,874.89 | 4,201.64 |
| | **11,319.09** | **9,141.80** |

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Current** | | |
| Secured loans from banks | 5,698.44 | 16,817.26 |
| | **5,698.44** | **16,817.26** |

# Notes to Financial Statements

for the year ended March 31, 2021

(i) Loans outstanding represent cash credit, packing credit and working capital demand loan facility availed with various banks and carry interest linked to the respective bank's prime / base lending rate, and range from 0.64% to 9.40% per annum (31 March 2020: 2% to 12.75% per annum).

(ii) The above loans with all working capital lenders are secured by way of pari-passu first charge on all the current assets of the Company and pari-passu second charge on Company's property, plant and equipment. All of the above working capital loans are also secured by way of personal guarantees extended by Dr. Davaluri Rama Mohan Rao and Davuluri Sucheth Rao and pari-passu charge on 200,000 equity shares of the Company held by Dr. D R Rao, in favour of the working capital lenders.

## 15. Provisions

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Non-current | | |
| Gratuity (refer note a) | 686.10 | 1,026.89 |
| Compensated absences | 257.79 | 222.09 |
| | **943.89** | **1,248.98** |
| Current | | |
| Gratuity (refer note a) | - | 176.19 |
| Compensated absences | 64.26 | 51.12 |
| | **64.26** | **227.31** |

**(a) Gratuity**

The Company has a defined benefit funded gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Company has subscribed to a group gratuity scheme of Life Insurance Corporation of India (LIC) & Kotak Gratuity Group Plan. Under the said policy, the eligible employees are entitled for gratuity upon their resignation or in the event of death in lumpsum after deduction of necessary taxes up to a maximum limit of ₹20.

The following table set out the status of the gratuity plan and the reconciliation of opening and closing balances of the present value and defined benefit obligation.

(₹ in lacs)

| | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **(i)** | **Change in projected benefit obligation** | | |
| | Projected benefit obligation at the beginning of the year | 1,199.64 | 1,038.80 |
| | Service cost | 116.42 | 112.02 |
| | Interest cost | 74.12 | 76.46 |
| | Actuarial (gain) / loss | 55.97 | 88.48 |
| | Benefits paid | (177.34) | (116.12) |
| | Projected benefit obligation at the end of the year | **1,268.81** | **1,199.64** |
| **(ii)** | **Change in plan assets** | | |
| | Fair value of plan assets at the beginning of the year | 27.08 | 23.08 |
| | Value adjustment | (1.48) | (11.28) |
| | Expected return on plan assets | 1.83 | 1.80 |
| | Employer contributions | 775.41 | 123.88 |
| | Benefits paid | (185.89) | (110.40) |
| | Fair value of plan assets at the end of the year | **616.95** | **27.08** |
| **(iii)** | **Reconciliation of present value of obligation on the fair value of plan assets** | | |
| | Present value of projected benefit obligation at the end of the year | 1,268.81 | 1,199.64 |
| | Funded status of the plans | (616.95) | (27.08) |
| | Net liability recognised in the balance sheet | **651.86** | **1,172.56** |

*Table continued to next page*

# Notes to Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

| | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **(iv)** | **Expense recognized in the statement of profit and loss** | | |
| | Service cost | 116.42 | 112.02 |
| | Interest cost | 74.12 | 76.46 |
| | Expected returns on plan assets | (1.83) | (1.80) |
| | Net gratuity costs | **188.71** | **186.68** |
| **(v)** | **Expense recognized in OCI** | | |
| | Recognized net actuarial (gain)/ loss | 57.45 | 99.76 |
| | | **57.45** | **99.76** |
| **(v)** | **Key actuarial assumptions** | | |
| | **Financial assumptions** | | |
| | Discount rate | 6.86% | 6.75% |
| | Expected return on plan assets | 6.75% | 7.80% |
| | Withdrawal Rate | 4.00% | 4.00% |
| | Salary escalation rate | 4.00% | 4.00% |
| | Demographic assumptions | | |
| | Mortality rate as per Indian Assured Lives Mortality 2012-14 table | | |
| **(vi)** | **Sensitivity Analysis** | | |
| | Impact on defined benefit obligation | 1,268.80 | 1,199.64 |
| | Delta effect of +1% change in discount rate | 1,196.56 | 1,124.98 |
| | Delta effect of -1% change in discount rate | 1,364.95 | 1,284.17 |
| | Delta effect of +1% change in salary escalation rate | 1,363.59 | 1,281.09 |
| | Delta effect of -1% change in salary escalation rate | 1,195.91 | 1,126.16 |
| **(vii)** | **Maturity analysis of projected benefit obligation** | | |
| | 1 year | 152.27 | 145.66 |
| | 2 to 5 years | 420.29 | 310.28 |
| | 6 to 10 years | 553.44 | 597.64 |
| | More than 10 years | 135.97 | 146.06 |

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and salary escalation rate. The calculation of the net defined benefit liability is sensitive to these assumptions. Sensitivity to these factors is disclosed above.

## 16. Deferred tax liabilities (net)

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Deferred tax liabilities arising on account of :** | | |
| Property, plant and equipment and goodwill | 6,942.01 | 6,667.78 |
| **Deferred tax assets arising on account of :** | | |
| Employee benefits | (518.19) | (601.00) |
| Provision for trade receivables and advances | (90.61) | (189.07) |
| Unabsorbed business losses | - | (507.31) |
| Investment properties | (440.44) | (673.03) |
| Others | 82.91 | 80.74 |
| **Deferred tax liabilities (net)** | **5,975.68** | **4,778.11** |

# Notes to Financial Statements

for the year ended March 31, 2021

(a) In assessing whether the deferred tax assets will be realised, management considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of the deferred income tax assets in the nature of business loss carry forward is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realise the benefits of those recognised deductible difference of business loss carry forward. Recoverability of deferred tax assets is based on estimates of future taxable income and any changes in such future taxable income would impact the recoverability of deferred tax assets. However, management believes that any reasonable possible change in the key assumptions would not effect the Company's ability to recover the deferred tax asset

## 17. Other current liabilities

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| Advance from customers | 3.00 | 2,028.00 |
| Security deposit received | 287.47 | 288.61 |
| | **290.47** | **2,316.61** |
| **Current** | | |
| Advance from customers | 6,360.72 | 2,167.19 |
| Statutory liabilities | 287.21 | 237.45 |
| | **6,647.93** | **2,404.64** |

## 18. Trade payables

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Total outstanding dues of micro enterprises and small enterprises | 856.79 | 130.56 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 14,356.66 | 11,425.74 |
| | **15,213.45** | **11,556.30** |

*Note :*

1. *Refer note 31 for the Company's liquidity risk management process*
2. *The Micro and Small Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors. Details of dues to such parties are given below:*

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| The principal amount remaining unpaid as at the end of the year | 856.79 | 130.56 |
| The amount of interest accrued and remaining unpaid at the end of the year | 8.90 | 0.93 |
| Amount of interest paid by the company in terms of Section 16, of (MSMED Act 2006) along with the amounts of payments made beyond the appointed date during the year. | - | - |
| Amount of interest due and payable for the period of delay in making payment without the interest specified under the (MSMED Act 2006) | - | - |
| The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the (MSMED Act 2006) | - | - |

# Notes to Financial Statements

for the year ended March 31, 2021

## 19. Other financial liabilities

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Current** | | |
| Current maturities of long-term debt (refer note 14) | 2,505.83 | 1,404.54 |
| Interest accrued but not due on borrowings | 39.60 | 25.22 |
| Unclaimed dividends | 13.16 | 12.16 |
| Creditors for capital goods | 1,148.96 | 924.89 |
| Employee related liabilities | 1,133.96 | 841.58 |
| Accrual for expenses | 3,284.45 | 1,392.84 |
| Others | 847.86 | - |
| | **8,973.82** | **4,601.23** |

## 20. Revenue from operations

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Sale of products | 88,125.24 | 70,898.49 |
| Sale of services | 3,692.43 | 2,546.66 |
| Other operating revenue | | |
| Sale of impurities | 253.49 | 285.16 |
| Export incentives | 1,264.79 | 2,044.51 |
| Scrap sales | 355.36 | 496.26 |
| | **93,691.31** | **76,271.08** |

*Revenue disaggregation as per geography has been included in segment information (Refer note 36).*

## Unsatisfied performance obligations

The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations in case of contracts for which revenues are recorded over a period of time is ₹1,077.62, which is expected to be fully recognised as revenue in the next year. No consideration from contracts with customers is excluded from the amount mentioned above and contract asset relating to partially satisfied performance obligations aggregates to ₹292.75 as at 31 March 2021 (31 March 2020: ₹ 211.40)

## 21. Other income

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Interest income | 166.75 | 216.21 |
| Incentive under market access initiative scheme | 5.59 | 131.50 |
| Profit on sale of property, plant and equipment, net | - | 39.06 |
| Profit on sale of Investement in Properties (net) | 1,309.25 | - |
| Other non-operating income | 127.92 | 1.82 |
| | **1,609.51** | **388.59** |

## 22. Cost of raw materials consumed

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Raw material and packing material at the beginning of the year | 5,500.27 | 4,555.14 |
| Add: Purchases during the year* | 46,322.74 | 40,080.72 |
| Less: Raw material and packing material at the end of the year | 7,857.31 | 5,500.27 |
| | **43,965.70** | **39,135.59** |

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

# Notes to Financial Statements

for the year ended March 31, 2021

## 23. Changes in inventories of finished goods and work-in-progress

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Opening stock** | | |
| - Finished goods | 4,525.47 | 3,965.66 |
| - Work-in-progress | 11,016.30 | 10,113.50 |
| | **15,541.77** | **14,079.16** |
| **Closing balance** | | |
| - Finished goods | 4,902.96 | 4,525.47 |
| - Work-in-progress | 10,763.26 | 11,016.30 |
| | **15,666.22** | **15,541.77** |
| - Less: Trial run inventory | - | (346.86) |
| | **(124.45)** | **(1,115.75)** |

## 24. Employee benefits expense

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Salaries, wages and bonus | 13,289.46 | 10,961.75 |
| Contribution to provident and other funds (refer note (a) below) | 568.98 | 509.94 |
| Gratuity expense | 188.71 | 186.68 |
| Compensated absences expense | 141.24 | 108.91 |
| Staff welfare expenses | 785.28 | 588.24 |
| | **14,973.67** | **12,355.52** |

(a) During the year ended 31 March 2021, the Company contributed ₹514.96 (31 March 2020: ₹463.83) to provident fund and ₹22.64 (31 March 2020: ₹19.72) towards employee state insurance fund

## 25. Finance costs

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Interest expense | 1,296.20 | 1,890.85 |
| Other borrowing costs | 607.80 | 542.03 |
| | **1,904.00** | **2,432.88** |
| Less: Borrowing costs capitalized * | (114.17) | (275.53) |
| | **1,789.83** | **2,157.35** |

** The Company has capitalised borrowing costs with respect to its qualifying assets. The rate for capitalisation of borrowing cost was approximately 9.47% (31 March 2020: 10.60%)*

# Notes to Financial Statements

for the year ended March 31, 2021

## 26. Manufacturing expenses

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Consumption of stores and spare parts | 4,011.36 | 2,702.72 |
| Power and fuel | 3,920.73 | 3,275.14 |
| Carriage inwards | 164.79 | 130.71 |
| Repairs and maintenance | | |
| - Buildings | 397.45 | 509.90 |
| - Plant and equipment | 1,172.73 | 1,003.22 |
| - Others | 1,101.09 | 1,017.64 |
| Effluent treatment charges and testing charges | 921.66 | 815.23 |
| Consumption of packing material | 338.77 | 305.07 |
| | **12,028.58** | **9,759.63** |

## 27. Other expenses

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Rent | 71.42 | 67.55 |
| Corporate Social Responsibility ('CSR') expenditure (refer note ii below) | 88.02 | 68.72 |
| Rates and taxes | 1,743.44 | 162.85 |
| Travelling and conveyance | 669.35 | 1,020.88 |
| Legal and professional fees (refer note i below) | 935.47 | 1,217.44 |
| Insurance | 413.45 | 262.38 |
| Advertisement and subscription expense | 247.14 | 324.20 |
| Sales promotion expenses including commission* | 1,801.19 | 874.93 |
| Freight and forwarding charges | 1,016.96 | 631.06 |
| Provision for doubtful debts and advances, net | 385.33 | 707.94 |
| Foreign exchange loss, net | 216.73 | 167.36 |
| Loss on sale of assets, net | 27.34 | - |
| Directors commission | 35.00 | 21.00 |
| Sitting fees | 24.90 | 23.20 |
| Miscellaneous expenses | 490.14 | 397.56 |
| | **8,165.88** | **5,947.07** |

** includes an amount of ₹ 955 lacs towards settlement of international taxation litigation under Vivad Se Vishwas Scheme*

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

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **As auditor:** | | |
| - Audit fee, including tax audit | 30.00 | 30.00 |
| - Certifications | 5.75 | 5.50 |
| - Reimbursement of expenses | 0.66 | 0.55 |
| | **36.41** | **36.05** |

# Notes to Financial Statements

for the year ended March 31, 2021

**(ii) Details of CSR expenditure :**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| (a) Gross amount required to be spent by the Company during the year | 70.92 | 55.87 |
| (b) Amount spent during the year (in cash) on: | | |
| (i) Construction/acquisition of any asset | - | - |
| (ii) On purposes other than (i) above* | 88.02 | 68.72 |
| **Amount remaining to be spent/(spent in excess)** | **(17.10)** | **(12.85)** |

** includes ₹ 10 paid to Neuland Foundation towards corpus*

## 28. Income tax

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Income tax expense recognised in the statement of profit and loss consists of the following:** | | |
| Current income tax | 1,255.73 | 9.63 |
| Deferred tax expense / (benefit) | 1,214.55 | 3,661.57 |
| **Total tax expense for the year** | **2,470.28** | **3,671.20** |

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 25.17% (31 March 2020: 25.17%) and the reported tax expense in the statement of profit and loss is as follows:

**Reconciliation of tax expense and the accounting profit multiplied by India's tax rate**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Profit before tax | 10,533.35 | 5,292.25 |
| Tax rate applicable to the Company | 25.17% | 25.17% |
| Estimated tax expense on profit^ | 2,626.58 | 1,331.95 |
| **Tax effect of amounts which are not deductible (taxable) in calculating taxable income:** | | |
| Earlier year impact | (191.81) | - |
| One time charge off on transition to new regime* | - | 2,324.66 |
| Impact of foreign taxes | (5.79) | (1.11) |
| Expenses disallowed | 29.03 | 19.09 |
| Others | 12.27 | (3.39) |
| **Income tax expense** | **2,470.28** | **3,671.20** |

** The Government of India, on 20 September 2019, vide the Taxation laws (Amendment) Ordinance 2019, inserted a new Section 115BAA in the Income tax Act, 1961, which provides an option to the Company for paying income Tax at reduced rates as per the provisions/conditions defined in the said section. The Company has completed its evaluation and has opted to pay tax at the reduced rate resulting in one time tax charge of ₹ 2,324.66*

*^ Estimated tax expenses for FY 21 includes tax on Capital Gains at rates different than the tax rate of 25.17%*

# Notes to Financial Statements

for the year ended March 31, 2021

## 29. Earnings per share (EPS)

(₹ in lacs)

| | | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|---|
| (a) | Profit attributable to equity shareholders | 8,063.07 | 1,621.05 |
| (b) | Computation of weighted average number of equity shares: | | |
| | Weighted average number of equity shares outstanding during the year* | 1,28,29,889 | 1,28,29,889 |
| (c) | Earnings per equity share (in absolute ₹) : | | |
| | Basic | 62.85 | 12.63 |
| | Diluted | 62.85 | 12.63 |

## 30. Fair value measurements

### (i) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data either directly or indirectly

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### (ii) Financial assets and financial liabilities measured at fair value

(₹ in lacs)

| | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| Financial assets / (liabilities) | | | | |
| Investments | 19.28 | 670.29 | 11.11 | 774.72 |
| Derivatives - Forward contracts | - | - | - | 80.33 |

### (iii) Financial instruments by category

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

(₹ in lacs)

| | 31 March 2021 | | | March 2020 | | |
|---|---|---|---|---|---|---|
| | FVTPL | FVTOCI | Amortised cost | FVTPL | FVTOCI | Amortised cost |
| **Financial assets** | | | | | | |
| Investments | 24.72 | 664.85 | - | 24.72 | 761.11 | - |
| Trade receivables | - | - | 21,773.31 | - | - | 18,988.99 |
| Cash and cash equivalents | - | - | 243.56 | - | - | 1,120.35 |
| Other bank balances | - | - | 1,696.37 | - | - | 3,577.71 |
| Other financial assets | - | - | 893.35 | - | - | 1,269.66 |
| **Total financial assets** | **24.72** | **664.85** | **24,606.59** | **24.72** | **761.11** | **24,956.71** |

# Notes to Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

| | March 2021 | | March 2020 | |
|---|---|---|---|---|
| | FVTPL | Amortised cost | FVTPL | Amortised cost |
| **Financial liabilities** | | | | |
| Borrowings | - | 17,017.53 | - | 25,959.06 |
| Lease liability | - | 1,211.79 | - | 414.42 |
| Trade payables | - | 15,213.45 | - | 11,556.30 |
| Other financial liabilities | - | 6,467.99 | - | 3,196.69 |
| **Total financial liabilities** | **-** | **39,910.76** | **-** | **41,126.47** |

The Company's principal financial liabilities, comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, cash and cash equivalents and other bank balances that derive directly from its operations. The Company also holds FVOCI investments.

(iv) The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature. Difference between carrying amounts and fair values of bank deposits, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented. For all other amortised cost instruments, carrying value represents the best estimate of fair value.

For financial assets measured at fair values, the carrying amounts are equal to the fair values.

## 31. Financial instruments risk management

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The Company's risk management policies are established to identify and analyse the risks faced by the Company and seek to, where appropriate, minimize potential impact of the risk and to control and monitor such risks. There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for management of these risks:

### A. Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, trade receivables and other financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2021 and 31 March 2020. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

#### i. Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has loan facilities on floating interest rate, which exposes the Company to risk of changes in interest rates. The management monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary. The Company's investment in deposits with banks are for short durations and therefore do not expose the Company to significant interest rate risk. Below are the details of exposure to fixed rate and variable rate instruments:

(₹ in lacs)

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 1,683.25 | 3,895.47 |
| Financial liabilities | 3,096.41 | 3,237.49 |
| **Variable rate instruments** | | |
| Financial liabilities | 13,921.12 | 22,721.57 |

# Notes to Financial Statements

for the year ended March 31, 2021

Every 0.5% increase/decrease in the interest rate component applicable to the respective borrowings would effect the Company's net profit before tax resulting in an expense/income of ₹69.61 and ₹114.17 for the year ended 31 March 2021 and 31 March 2020 respectively.

**ii. Foreign currency risk:**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of change in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in foreign currency) and financing activities (when borrowings are denominated in foreign currency), The foreign currencies in which these transactions are denominated are US Dollars, Euros, Japanese Yen, Great British Pound and Swiss Franc. The Company uses foreign exchange forward contracts to hedge its exposure in foreign currency risk.

a) Significant unhedged foreign currency risk exposure relating to financial assets and financial liabilities expressed in ₹ terms are as follows:

**Financial assets**

(₹ in lacs)

| Trade receivables | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 14,617.64 | 12,821.36 |
| - EUR | 1,219.04 | 2,035.00 |

| Cash & cash equivalents | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 95.11 | 777.32 |

**Financial liabilities**

**(₹ in lacs)**

| Trade payables | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 2,704.88 | 2,460.09 |
| - EUR | 37.17 | 30.69 |
| - CHF | - | 12.49 |
| - JPY | 7.58 | 74.16 |

| Borrowings | 31 March 2021 | 31 March 2020 |
|---|---|---|
| - USD | 4,393.35 | 7,294.13 |
| - EUR | - | 1,324.25 |

b) Derivative financial instruments

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

(₹ in lacs)

| | Buy | 31 March 2021 | 31 March 2020 |
|---|---|---|---|
| Derivatives not designated as hedges | | | |
| Forward contract | USD (in lakhs) | - | US $45.11 |
| Interest rate swaps | USD (in lakhs) | - | - |

# Notes to Financial Statements

for the year ended March 31, 2021

c) Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD and Euro exchange rates, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material.

(₹ in lacs)

| Particulars | Impact on profit after tax for the year ended | |
|---|---|---|
| | 31 March 2021 | 31 March 2020 |
| USD sensitivity | | |
| ₹/USD - Increase by 5% | 380.73 | 192.22 |
| ₹/USD - Decrease by 5% | (380.73) | (192.22) |
| EUR sensitivity | | |
| ₹/EUR - Increase by 5% | 59.09 | 34.00 |
| ₹/EUR - Decrease by 5% | (59.09) | (34.00) |

**iii. Equity price risk:**

"The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as FVOCI/FVTPL. An increase/(decrease) in fair value of investments by 10% shall impact the Company's equity and total comprehensive income by ₹68.96 (31 March 2020: ₹78.58)..

**B. Credit risk**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables. None of the Company's cash equivalents, other bank balances, loans and security deposits were past due or impaired as at 31 March 2021 and 31 March 2020.

Ageing of trade receivables is as follows:

(₹ in lacs)

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Neither past due nor impaired | 15,756.52 | 14,107.91 |
| Past due not impaired: | | |
| 0-180 days | 5,592.59 | 4,456.30 |
| Greater than 180 days | 424.20 | 424.78 |
| | **21,773.31** | **18,988.99** |

**C. Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

(₹ in lacs)

| March 2021 | Up to 1 year | From 1 to 3 years | More than 3 years | Total |
|---|---|---|---|---|
| Borrowings | 8,204.27 | 4,938.37 | 3,874.89 | 17,017.53 |
| Lease liability | 358.38 | 708.84 | 410.65 | 1,477.87 |
| Trade and other payables | 15,213.45 | - | - | 15,213.45 |
| Other financial liabilities | 6,467.99 | - | - | 6,467.99 |
| **Total** | **30,244.09** | **5,647.21** | **4,285.54** | **40,176.84** |

# Notes to Financial Statements

for the year ended March 31, 2021

(₹ in lacs)

| March 2020 | Up to 1 year | From 1 to 3 years | More than 3 years | Total |
|---|---|---|---|---|
| Borrowings | 18,221.80 | 3,535.62 | 4,201.64 | 25,959.06 |
| Lease liability | 188.97 | 189.92 | 108.22 | 487.11 |
| Trade and other payables | 11,556.30 | - | - | 11,556.30 |
| Other financial liabilities | 3,196.69 | - | - | 3,196.69 |
| **Total** | **33,163.76** | **3,725.54** | **4,309.86** | **41,199.16** |

## 32. Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Hence, the Company may adjust any dividend payments, return capital to shareholders or issue new shares or sell assets to reduce debt. Total capital is the equity as shown in the statement of financial position.Currently, the Company primarily monitors its capital structure on the basis of the following gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Company.

The capital for the reporting year under review is summarized as follows:

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Total borrowings | 17,017.53 | 25,959.06 |
| Less: Cash and cash equivalents | (243.56) | (1,120.35) |
| Net debt | 16,773.97 | 24,838.71 |
| Total equity | 78,645.77 | 70,995.77 |
| Net debt to equity ratio | 21.33% | 34.99% |

## 33. Research and development expenses

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditures are given below:

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Revenue Expenditure | | |
| Salaries and wages | 1,351.85 | 1,165.32 |
| Consumption of raw materials and consumables | 522.90 | 307.29 |
| Power and fuel | 231.83 | 268.54 |
| | **2,106.58** | **1,741.15** |
| Capital Expenditure | **178.11** | **347.18** |

** Disclosed for the years where Form 3CL is yet to be received from Department of Scientific and Industrial Research (DSIR)*

## 34. Investment properties

Investment properties comprise of carrying value of land and capital work-in-progress, representing the cost incurred towards development and construction activity at the said land situated at Nanakramguda, Hyderabad, duly allotted by Telangana State Industrial Infrastructure Corporation Limited ("TSIIC") (erstwhile Andhra Pradesh Industrial Infrastructure Corporation Limited).

The Company, on the basis of an approval received from TSIIC, has entered into a Joint Development Agreement (JDA) with a Developer for development of IT Park at the Company's land. Subsequently the Company has entered into Supplementary Development Agreement ("SDA") and Addendums to the SDA (collectively referred as 'Arrangement') with the Developer and its nominees. Further, in accordance with the terms of the Arrangement, the Company is entitled to a fixed leasable / saleable area of a minimum 3.38 lakhs sq .ft, out of which the Company has transferred 1.20 lakhs sq. ft from it's own share at ₹0.02 per sq. ft to the

# Notes to Financial Statements

for the year ended March 31, 2021

Developer nominees on completion of the construction work as at 31 March 2021. The Company has further agreed to revise its net share in the Project to 1.74 lakh sq.ft. (excluding 1.20 lakh sq.ft. already transferred) to compensate the Developer for certain costs and adjustments in the Company's share in the Project, with the approval of the Board of Directors of the Company. The construction of the Company's share in the Project is completed and the Developer shall handover possession of the Company's share, upon receipt of regulatory approvals. The management, on the basis of its assessment of the end use of its share in the proposed project has classified the entire value as an investment property as at 31 March 2021.

The fair value of the investment property is estimated at ₹11,424.84 based on valuation report

## 35. Goodwill

Pursuant to the Scheme of Amalgamation and Arrangement ("the Scheme") duly approved by the National Company Law Tribunal, Hyderabad Bench vide their order dated 21 March 2018, Neuland Health Sciences Private Limited ("NHSPL") and Neuland Pharma Research Private Limited ("NPRPL") (together referred to as "Transferor Companies"), were merged with the Company with appointed date of 1 April 2016. NHSPL is engaged in the business of conducting research and development of Peptides and NPRPL is in the business of contract research services.

The purchase consideration of ₹31,084.99 paid by way of issue of 2,270,635 equity shares of ₹10 each [in accordance with the Scheme, 4,590,608 equity shares of ₹10 each held by NHSPL in the Company stands cancelled and the Company shall issue 6,861,095 and 148 fully paid-up equity shares of ₹10 each to the shareholders of NHSPL and NPRPL respectively] at a premium of ₹1,359 per equity share.

Excess of consideration paid over net assets taken over aggregating to ₹27,946.10 is recognized as Goodwill.

**Below is the reconciliation of the carrying amount of goodwill:**

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Opening balance | 27,946.10 | 27,946.10 |
| Add: Due to acquisition during the year | - | - |
| Less: Impairment/write off | - | - |
| **Closing Balance** | **27,946.10** | **27,946.10** |

The recoverable amount of the above cash generating unit ("CGU") has been assessed using a value-in-use model. The recoverable value is computed based on the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. The cash flow projections include specific estimates for five years developed using internal forecasts and a terminal growth rate thereafter of 5%. The planning horizon reflects the assumptions for short-to-mid term market developments which are based on key assumptions such as margins, expected growth rates based on past experience, new product launches and management's expectations / extrapolation of normal increase / steady terminal growth rate. Discount rate reflects the current market assessment of the risks. The discount rate is estimated based on the weighted average cost of capital for the Company. Post-tax discount rates used were 14.37% for the year ended 31 March 2021. The management believes that any reasonable possible change in the key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash- generating unit.

# Notes to Financial Statements

for the year ended March 31, 2021

## 36. Segment reporting

The management has assessed the identification of reportable segments in accordance with the requirements of Ind AS 108 'Operating Segment' and believes that the Group has only one reportable segment namely "manufacture of active pharmaceutical ingredients and allied services".

Geography-wise details of the Group's revenues from external customers and its non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) and revenue from major customers are given below:

**(i) Analysis of Group's revenues (excluding other operating revenue) based on the location of the customers:**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| India | 21,814.14 | 22,783.82 |
| Europe | 33,018.26 | 24,004.74 |
| USA | 19,412.34 | 11,452.89 |
| Rest of the world | 17,572.93 | 15,203.70 |
| | **91,817.67** | **73,445.15** |

**(ii) Analysis of Group's non-current assets based on the location of the assets:**

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| India | 76,894.45 | 70,625.51 |
| USA | - | - |
| Rest of the world | (2.45) | 4.93 |
| | **76,892.00** | **70,630.44** |

**(iii) Major customer**

The Group has one customer group who contributed more than 10% of the Group's revenue (excluding other operating revenue) during the current and previous year. The revenue from such major customer group during the year is ₹12,615.65 (31 March 2020: ₹8745.50).

## 37. Related party disclosures

**(a) Names of the related parties and nature of relationship**

| Particulars |
|---|
| **Enterprise over which key management personel exercise significant influence** |
| Neuland Foundation |
| **Key Management Personnel** |
| Dr. D. R. Rao - Executice Chairman |
| Mr.D. Sucheth Rao - Vice Chairman and CEO |
| Mr.D. Saharsh Rao - Vice Chairman and MD |
| Dr. Christopher M. Cimarusti - Non-Executive Non-Independent Director |

*Table continued to next page*

# Notes to Financial Statements

for the year ended March 31, 2021

| Particulars |
|---|
| Mr. Humayun Dhanrajgir - Non-Executive Independent Director |
| Mr. Parampally Vasudeva Maiya - Non-Executive Independent Director |
| Dr. William Gordon Mitchell - Non-Executive Independent Director |
| Mrs. Bharati Rao - Non-Executive Independent Director |
| Dr. Nirmala Murthy - Non-Executive Independent Director |
| Mr.Homi Rustam Khusrokhan - Non-Executive Independent Director |
| Mr.Deepak Gupta - Chief Financial Officer (with effect from Sep 24, 2020) |
| **Relatives of Key Management Personnel** |
| Mrs. D. Vijaya Rao |
| Mrs. D. Rohini Niveditha Rao |

**(b) Transactions with related parties**

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| **Enterprise over which key management personel exercise significant influence** | | |
| Neuland Foundation- Contribution towards corpus | - | 10.00 |
| **Transactions with KMP** | | |
| Managerial remuneration | 1,052.68 | 660.00 |
| Rent | 157.95 | - |
| Director's sitting fee | 24.90 | 23.20 |
| Commission | 35.00 | 21.00 |
| Security deposit given | - | 242.80 |
| Professional fee | - | 14.16 |
| **Transactions with relatives of KMP** | | |
| Rent | 75.73 | 71.83 |

**(c) Balances receivable/(payables)**

(₹ in lacs)

| | | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|---|
| **Key Management Personnel** | | | |
| Mr. D. Sucheth Rao | Security deposit | 121.40 | 121.40 |
| Mr.D. Saharsh Rao | Security deposit | 121.40 | 121.40 |
| Dr. D. R. Rao | Remuneration Payable | (220.00) | (107.52) |
| Mr. D. Sucheth Rao | Remuneration Payable | (200.00) | (87.51) |
| Mr.D. Saharsh Rao | Remuneration Payable | (180.00) | (67.51) |
| Non Executive Directors | Sitting Fee/Commission/Profesional Fee | (10.10) | (36.55) |
| **Relative of Key Management Personnel** | | | |
| Mrs. D Vijaya Rao | Security deposit (net of rent payable) | 12.17 | 12.66 |

*Note:*

*Dr. D. R. Rao and D. Sucheth Rao have extended personal guarantees and Dr. D. R. Rao in addition has pledged certain shares of his holding in the Company in connection with the working capital limits availed by the Company. (Refer note: 14)*

# Notes to Financial Statements

for the year ended March 31, 2021

## 38. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to ₹2,284.55 (31 March 2020: ₹934.72).

## 39. Contingent liabilities and pending litigations

(₹ in lacs)

| | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| **Disputed income tax liabilities** | | |
| Assessment year 2004-05 - refer note (a) below | 693.33 | 693.33 |
| Assessment year 1998-99, 2001-02, 2002-03 & 2013-14 to 2018-19, the cases for these years is proposed to be settled under Vivad Se Viswas scheme and requisite liability has been provided for during the year | - | 1,471.75 |
| Other income tax matters | 19.01 | 19.01 |
| **Other matters** | | |
| NGT Order - liability for all the years starting from FY 16-17 has been provided for during the year based on the current developments | - | 571.11 |
| APTRANSCO demand of wheeling charges to APGPCL- the amounts has been provided for based on demand order received during the year | - | 223.03 |
| Public litigation against land parcel allotment by APIICL- refer note (b) below | 1,890.64 | 2,981.39 |
| CIGSR Order for land parcel at bonthapally- refer note (c) below | 0.64 | 0.64 |
| Certain disputes, for unascertained amounts are pending in the Labor Courts, Telangana Since, the chance of appellants succeeding in their claims is less than probable, the Company does not expects any liability in this respect. | Not ascertainable | Not ascertainable |
| **Other Claims and Gurantees** | | |
| Letter of Credits, Bank Guarantees including performance bank guarantees issued by the banks on behalf of the Company | 7,863.71 | 6,573.24 |

*Note:*

*(a) The Income tax authorities had re-opened the income tax assessment of the Company for the assessment year 2004-05 later than the periods permitted by the provisions of the Income Tax Act, 1961 and thereby demanded an additional tax amount of ₹693.33 on account of disallowance of certain prior period expenditure recognized by the Company in the computation of gross total income for the assessment year then ended. Aggrieved by the order of the Income Tax department, the management had filed an appeal with the higher authorities which had been successfully decided in favor of the Company. The Income Tax department has however filed an appeal with the Hon'ble High Court of Telangana in this regard, which is pending final outcome. However, on the basis of its internal assessment and considering the order of the first level appellate authority, the Company is confident of securing a favorable order from the High Court and accordingly, no adjustments have been made to the financial statements in this regard.*

***Other pending litigations / contingent liabilities:***

*(b) During 2004, the Company was allotted land parcel by the then Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") for setting up a basic research and development center. Subsequently public interest litigation was filed challenging allotments made by APIIC as unconstitutional and to cancel the allotments and resume the lands in all cases where the development has not commenced or the substantial progress has not been made as per the terms of allotments and regulations. The Company has been named as one of the parties to the said public interest litigation and the case is currently pending for hearing at Hon'ble High Court of Telangana. If there is an adverse ruling against the Company, the estimated financial impact on the Company could be ₹1,890.64.*

*(c) During the financial year ended 31 March 2008, the Commissioner and Inspector General of Stamps and Registration (CIGSR), Andhra Pradesh has vide it's order dated 22 February 2008 has cancelled the registration of the land parcel owned by the company situated at Bontapally pursuant to claims of forgery raised by the former sellers of the said land. Aggrieved by the aforesaid order the Company has filed a writ petition challenging order of CIGSR with Hon'ble High Court of Telangana (the 'Court') as the Company was not involved during the proceedings. The Court has vide its order dated 31 December 2012 has granted stay on the cancellation order of CIGSR. Proceedings of the case are still pending with the court. The management is confident that orders will be in the favour of the Company, hence no adjustment is deemed necessary to these standalone financial statements.*

# Notes to Financial Statements

for the year ended March 31, 2021

## 40. Net debt reconciliation

(₹ in lacs)

| | Current borrowings | Non-current borrowings | Interest accrued |
|---|---|---|---|
| **Net debt as on 1 April 2019** | **14,905.83** | **8,240.26** | **29.01** |
| Cash flows (net) | 1,635.35 | 901.54 | - |
| For-ex adjustment | 276.08 | - | - |
| Interest expenses, including interest capitalized | - | - | 2,432.67 |
| Interest paid | - | - | (2,436.46) |
| **Net debt as on 31 March 2020** | **16,817.26** | **9,141.80** | **25.22** |
| Cash flows (net) | (11,143.58) | 2,177.29 | - |
| For-ex adjustment | 24.76 | - | - |
| Interest expenses, including interest capitalized | - | - | 1,904.00 |
| Interest paid | - | - | (1,889.62) |
| **Net debt as on 31 March 2021** | **5,698.44** | **11,319.09** | **39.60** |

## 41. Expenditure during construction period (pending allocation)

(₹ in lacs)

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|---|---|---|
| Opening Balance | 370.40 | 307.20 |
| **Add:** | | |
| Cost of materials consumed, net of trail run inventory recognized | - | 2.42 |
| Employee benefits expense | - | 200.37 |
| Power and fuel | - | 59.58 |
| Factory maintenance | - | 97.62 |
| Legal and professional chargers | - | - |
| Others | - | 10.20 |
| **Less:** | | |
| Capitalized during the year | 370.40 | 306.99 |
| | **-** | **370.40** |

# Notes to Financial Statements

for the year ended March 31, 2021

## 42. Additional disclosure as required under paragraph 2 of 'General Instructions for the preparation of Consolidated Financial Statements' of the Schedule III to the Act

| | Net assets * | | | | Share in profit / (loss) | | | | Share in other comprehensive income ("OCI") | | | | Share in total comprehensive income | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount | As % of consolidated net assets | Amount | As % of consolidated profit / (loss) | Amount | As % of consolidated profit / (loss) | Amount | As % of consolidated OCI | Amount | As % of consolidated OCI | Amount | As % of consolidated total comprehensive income | Amount | As % of consolidated total comprehensive income | Amount |
| | 31 March 2021 | | 31 March 2020 | | 31 March 2021 | | 31 March 2020 | | 31 March 2021 | | 31 March 2020 | | 31 March 2021 | | 31 March 2020 | |
| Parent | 99.42% | 78,188.14 | 99.38% | 70,554.52 | 99.58% | 8,029.49 | 97.96% | 1,588.01 | 88.99% | (139.25) | 181.41% | (78.74) | 99.79% | 7,890.24 | 95.67% | 1,509.27 |
| Subsidiary incorporated outside India | | | | | | | | | | | | | | | | |
| Neuland Laboratories Inc | 0.45% | 357.68 | 0.48% | 340.80 | 0.35% | 28.05 | 1.65% | 26.79 | 0.00% | - | 0.00% | - | 0.35% | 28.05 | 1.70% | 26.79 |
| Neuland Laboratories KK | 0.15% | 115.77 | 0.16% | 116.27 | 0.07% | 5.53 | 0.39% | 6.25 | 0.00% | - | 0.00% | - | 0.07% | 5.53 | 0.40% | 6.25 |
| **Total** | **100.02%** | **78,661.59** | **100.02%** | **71,011.59** | **100.00%** | **8,063.07** | **100%** | **1,621.05** | **88.99%** | **(139.25)** | **181.41%** | **(78.74)** | **100.22%** | **7,923.82** | **97.76%** | **1,542.31** |
| Consolidation adjustments | -0.02% | (15.82) | -0.02% | (15.82) | 0.00% | - | 0.00% | - | 11.01% | (17.22) | -81.41% | 35.34 | -0.22% | (17.22) | 2.24% | 35.34 |
| **Net amount** | **100%** | **78,645.77** | **100%** | **70,995.77** | **100.00%** | **8,063.07** | **100.00%** | **1621.05** | **100.00%** | **(156.47)** | **100.00%** | **(43.40)** | **100.00%** | **7,906.60** | **100.00%** | **1,577.65** |

** Net assets means total assets minus total liabilities excluding shareholders funds.*

*Note:*

*The disclosure as above represents separate information for each of the consolidated entities before elimination of inter-company transactions. The net impact on elimination of inter-company transactions / profits / consolidation adjustments have been disclosed separately. Based on the group structure, the manangement is of the view that the above disclosure is appropriate under the requirements of the Act.*

# Notes to Financial Statements

for the year ended March 31, 2021

## 43. Leases

The Group has entered into operating leases of office premises and residential bunglow, with no restrictions and are renewable at the option of either of the parties, for a period of 3 years to 5 years. The escalation rates is 5% per annum as per the terms of the lease agreement. There are no sub leases. The Group applies the short term lease and lease of low value assets recognition exemption for few leases.

(₹ in lacs)

| | Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|---|
| **(i)** | **The movement in right-of-use assets is as follows :** | | |
| | **Opening balance** | **384.39** | **-** |
| | Reclassified on account of adoption of Ind AS 116 | - | 237.50 |
| | Addition during the year | 1,150.97 | 312.51 |
| | Deletions during the year | - | - |
| | Depreciation charge for the year | (310.99) | (165.61) |
| | **Closing balance** | **1,224.37** | **384.39** |
| **(ii)** | **The break-up of current and non-current lease liabilities is as follows** | | |
| | Non-current lease liabilities | 958.60 | 257.79 |
| | Current lease liabilities | 253.19 | 156.63 |
| **(iii)** | **The movement in lease liabilities is as follows :** | | |
| | **Opening balance** | **414.42** | **-** |
| | Reclassified on account of adoption of Ind AS 116 | - | 255.21 |
| | Addition during the year | 1,050.90 | 312.55 |
| | Accretion of interest | 98.02 | 39.63 |
| | Deletions during the year | - | - |
| | Payment of principal portion of lease liabilities | (253.53) | (153.34) |
| | Payment of interest portion of lease liabilities | (98.02) | (39.63) |
| | **Closing balance** | **1,211.79** | **414.42** |
| **(iv)** | **The contractual maturities of lease liabilities on an undiscounted basis are as follows:** | | |
| | Less than one year | 358.38 | 188.97 |
| | One to five years | 1,119.49 | 298.14 |
| | More than five years | - | - |

*Note:*

1. *The aggregate depreciation expense on right-of-use assets of ₹ 310.99 is included under depreciation and amortization expense in the Statement of Profit and Loss.*
2. *Rental expense recorded for short-term and low value leases was ₹ 18.21 for the year ended March 31, 2021.*
3. *The Group does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.*

**44** The Code on Social Security 2020 ('the Code') relating to employee benefits, during the employment and post-employment, has received Presidential assent on September 28, 2020. The Code has been published in the Gazette of India. Further, the Ministry of Labour and Employment has released draft rules for the Code on November 13, 2020. However, the effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are also not yet issued.

The holding Company will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

# Notes to Financial Statements

for the year ended March 31, 2021

**45.** The World Health Organization announced a global health emergency because of a new strain of coronavirus ("COVID-19") and classified its outbreak as a pandemic on March 11, 2020. On March 24, 2020, the Indian government announced a strict 21-day lockdown across the country to contain the spread of the virus. This pandemic and response thereon have impacted most of the industries. Consequent to the nationwide lock down on March 24, 2020, the Group's operations were scaled down in compliance with applicable regulatory orders. Subsequenlty, during the year, the Group's operations have been scaled up in a phased manner taking into account directives from various Government authorities. The impact on future operations would, to a large extent, depend on how the pandemic further develops and it's resultant impact on the operations of the Group. The Group continues to monitor the situation and take appropriate action, as considered necessary in due compliance with the applicable regulations. The management has made an assessment of the impact of COVID-19 on the Group's operations, financial performance and position as at and for the year ended March 31, 2021and has concluded that no there is no impact which is required to be recognised in the financial statements. Accordingly, no adjustments have been made to the financial statements.

**46.** The consolidated financial statements are approved for issue by the Company's Board of Directors on 11 May 2021.

This is the Summary of Significant Accounting Policies and Other Explanatory Information referred to in our report of even date.

For **MSKA & Associates**
Chartered Accountants
Firm's Registration No: 105047W

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

| | | | | | |
|---|---|---|---|---|---|
| **Amit Kumar Agarwal** | **Dr. D. R. Rao** | **D. Sucheth Rao** | **D. Saharsh Rao** | **Deepak Gupta** | **Sarada Bhamidipati** |
| Partner | Executive Chairman | Vice Chairman and CEO | Vice Chairman | Chief Financial Officer | Company Secretary |
| Membership No: 214198 | DIN 00107737 | DIN 00108880 | Managing Director | | |
| | | | DIN 02753145 | | |

Place: Hyderabad
Date: 11 May 2021

Place: Hyderabad
Date: 11 May 2021

# Form AOC-I

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

**Statement containing salient features of the financial statement of subsidiaries / joint ventures**

**Part "A": Subsidiaries**

(₹ in lacs)

| Name of Subsidiary | Neuland Laboratories K.K. | Neuland Laboratories Inc. |
|---|---|---|
| **Country** | **Japan** | **U.S.A** |
| **Reporting Currency** | **¥** | **US$** |
| Exchange Rate | 0.6611 | 73.11 |
| Share Capital | 15.37 | 0.45 |
| Reserves & Surplus | 100.40 | 357.23 |
| Total Assets | 179.29 | 439.22 |
| Total Liabilities | 179.29 | 439.22 |
| Investments Made | - | - |
| Turnover | 220.68 | 559.20 |
| Profit / (Loss) before Taxation | 10.52 | 26.62 |
| Provision for Taxation | 4.99 | (1.43) |
| Profit / (Loss) after Taxation | 5.53 | 28.05 |
| Proposed Dividend | - | - |
| % of shareholding | 100% | 100% |

**Notes:**

- *There is no subsidiary which is yet to commence operations.*

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

**Dr. D.R. Rao**
Executive Chairman
DIN- 00107737

**D. Sucheth Rao**
Vice Chairman
& CEO
DIN- 00108880

**D. Saharsh Rao**
Vice Chairman &
Managing Director
DIN- 02753145

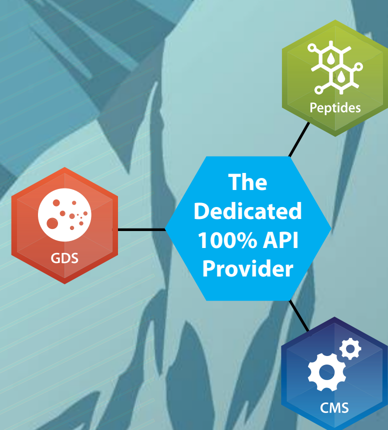
**Deepak Gupta**
Chief Financial
Officer

**Sarada Bhamidipati**
Company Secretary

Place: Hyderabad
**Date: 11 May, 2021**

NEULAND
WHERE OPPORTUNITY BECOMES REALITY

# ANNUAL REPORT 2020-21

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Road No. 82, Jubilee Hills, Hyderabad- 500033

**www.neulandlabs.com**